

***City of Duncan
Boundary Restructure Study***

Technical Report

Note that the financial impacts presented in this document will be affected by evolving information. The City will be considering implementation policies that will narrow down some tax impacts for expansion area homes. In addition, the Province will be outlining the short term financial assistance it will provide, and this will affect the tax impacts. Updated information will be presented to residents during the study process.

Sussex
Consultants Ltd

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Table of Contents

Executive Summary	
1. Introduction	1
Purpose	1
Study management	1
Study area	2
How the boundary could be changed	3
Report contents	4
2. Current Situation	6
Introduction	6
Governance models	6
Size of the communities	7
Local services	8
Tax bases	9
Property taxes	10
Taxes on a store	12
3. What Would Change	14
Introduction	14
Service responsibilities that would <u>not</u> shift	14
Governance model would change	14
Local service responsibilities that would shift	16
Regulatory bylaws	16
Regional district finances that would not be affected	17
Regional district functions that would be affected	17
Projected CVRD taxes	20
Impacts on remaining CVRD members	20
4. Financial Projections	23
Introduction	23
Budget projections and 2006 dollar values	23
Provincial assistance	23
Road upgrades and other capital spending	24
Municipal spending	25
Municipal revenues	27
Water, sewer and garbage	29
5. Property Tax Impacts	32
Introduction	32
Property tax impacts on a home	32
Property tax impacts on a store	36
Property tax impacts on light industry	38
Property tax impacts on a farm	38
6. What If	40
Introduction	40
Lower or higher budgets	40
Policing costs	41
City taxes held constant (City sees no gain)	42
Electoral area taxes held constant (Eagle Heights sees no gain or loss)	43
Phase-in of tax changes	44
Keep different garbage collection levels	45
Annuity from start-up grants	46

Lower business tax rates	46
Reduced boundary (leave out the southern area)	47
7. Summary and Conclusions	49
Summary of observations	49
Choices and policies to be considered	53
Appendix 1: Comments and Questions from the April 25, 2006 Public Meeting 55	
Overview	55
The study process	55
A referendum	56
Transition and boundary changes	56
Services, finances, and land use	57
Appendix 2: Projected City Utility Budgets and Charges	58
Appendix 3: Road Improvement Memo	61

List of Figures

Figure 1: The Public Steering Committee	1
Figure 2: Map of the Potential Expansion Area.....	2
Figure 3: Agricultural Land Reserve (ALR) Areas.....	3
Figure 4: Population Per Elected Local Government Official	7
Figure 5: Population in the Study Area	7
Figure 6: Selected Services and Functions in the Study Area	8
Figure 7: 2006 Tax Bases in the Study Area (in \$000s)	9
Figure 8: Summary of 2006 Tax Bases in the Study Area	10
Figure 9: 2006 Tax Rate Multiples (residential rate always = 1.00)	10
Figure 10: 2006 Property Tax Rates in the Study Area	11
Figure 11: 2006 Property Charges on a \$200,000 Home in the Study Area.....	11
Figure 12: Summary of 2006 Property Charges on a Home	12
Figure 13: 2006 Tax Rates on a \$200,000 Store in the Study Area.....	13
Figure 14: Summary of 2006 Taxes on a \$200,000 Store	13
Figure 15: Three Models of Representation on City Council	15
Figure 16: Regulatory City Bylaws That Could Apply in the Expansion Area	17
Figure 17: Shared CVRD Functions Not Affected by Boundary Restructure	17
Figure 18: Regional District Functions That Could Be Affected	18
Figure 19: Snapshot of 2006 CVRD Tax Rates Before and After Restructure.....	19
Figure 20: 2010 CVRD Tax Rates for Before-and-After Comparison	20
Figure 21: CVRD Revenue Losses Due to Boundary Expansion	21
Figure 22: Net "Lost" Taxes for Remaining CVRD Members	22
Figure 23: Expansion Area Roads Needing Immediate Work.....	24
Figure 24: Projected City of Duncan Capital Spending Before and After Restructure	25
Figure 25: Projected City Spending (General Fund)	26
Figure 26: Projected City Revenues (General Fund)	28
Figure 27: Projected Residential Tax Rates for the Impact Analysis	29
Figure 28: Projected Water Charges Before and After Restructure	30
Figure 29: Summary of 2010 Sewer Charge Projections	31
Figure 30: Summary of Property Charges on a \$200,000 Home (before tax mitigation)	32
Figure 31: Tax Impacts on a \$200,000 Home in the City	33

Figure 32: Summary of Impacts on a \$200,000 Home in the City.....	33
Figure 33: Tax Impacts on a \$200,000 Home in Area D (before mitigation)	34
Figure 34: Summary of Impacts on a Home in Area D (before mitigation).....	34
Figure 35: Tax Impacts on a \$200,000 Home in Area E (before mitigation)	35
Figure 36: Summary of Impacts on a \$200,000 Home in Area E (before mitigation)	35
Figure 37: Summary of Tax Impacts on a \$200,000 Store (before mitigation).....	36
Figure 38: Tax Impacts on a \$200,000 Store in the City	36
Figure 39: Tax Impacts on a \$200,000 Store in Area D (before mitigation)	37
Figure 40: Tax Impacts on a \$200,000 Store in Area E (before mitigation)	37
Figure 41: Tax Impacts on a \$200,000 Light Industry Property (before mitigation).....	38
Figure 42: Tax Impacts on a Farm Home in Area E (before mitigation).....	39
Figure 43: Tax Impacts of a \$100,000 Change in City Spending (before mitigation)	40
Figure 44: Taxes If the City's 2006 Census Population is Below 5000 (before mitigation)	41
Figure 45: Tax Impacts of Holding City Taxes at Their "Without Restructure" Levels.....	42
Figure 46: Tax Impacts of Holding Area E Taxes at Rural Levels After Restructure.....	43
Figure 47: Two Phase-In Plans for Tax Changes	44
Figure 48: Impacts If Eagle Heights Keeps Its Current Garbage Collection Schedule.....	45
Figure 49: Summary of Tax Impacts With Two Separate Garbage Collection Levels.....	45
Figure 50: Impacts If Annuity Is Used to Lower Taxes in Area E Part of the City	46
Figure 51: Tax Changes on a Home Depending on the Expansion Area Boundary	48
Figure 52: Property Charges on a \$200,000 Home (with and without mitigation).....	51
Figure 53: Property Charges on a \$200,000 Store (with and without mitigation).....	52
Figure 54: Estimated Loss of Revenues for Local CVRD Services Due to Restructure.....	53

Executive Summary

1. By joining the City, expansion area residents would become full members in the community's services; have enhanced accountability of decision making on local services and policies; avoid a pool user surcharge; pay lower water and sewer fees; have easier access to information; and have access to enhanced local services.
2. Currently, a home in the City of Duncan pays higher taxes than an expansion area home because the City provides more services. City taxpayers fund some services, like the pool, that are enjoyed by expansion area residents without a tax payment.
3. For both City and the expansion area, taxes will not remain constant under the current system. For example, the City is likely facing a substantial policing cost soon. The regional district's local services in Area D and E, like community planning, building inspection, and community parks, have risen 10% per year in the past five years (over and above the inflation rate). Keeping the two areas separate will not protect them from tax increases. Tax rises have been built into the "without restructure" scenario in this study.
4. Boundary extension would add to the City's costs (more roads, etc) but it would also add to its tax base. On balance, the tax base rise exceeds the rise in costs, and the City's tax rate would be lowered. It would still be higher than today but not as high as if there is no restructuring. By 2010, a \$200,000 City home could save \$113 due to boundary expansion (in 2006 dollars).
5. Boundary expansion would see the expansion area receive, and help fund, the same level of services as City residents get for most municipal-type services. Both areas already have generally the same level of water, sewer and fire services but different road, street light and sidewalk services. City council could choose to improve infrastructure in the expansion area.
6. Unless mitigation steps are taken, joining Duncan could mean a \$17 tax rise for an Area D home by 2010 compared to staying under the electoral area system. For a home in the larger Area E portion of the study it would mean a tax rise of \$172 *unless corrective steps are taken*.
7. These tax rises could be avoided or at least substantially reduced by (a) keeping the less frequents, lower-cost garbage collection schedule for the expansion area; and (b) using surplus start-up funding from the province to reduce expansion area taxes.
8. These two mitigation steps could mean a tax *savings* for an Area D home. They could reduce the rise on an Area E home to under \$100 (and even less when an additional pool fee is factored into the charges on an expansion area home under the current system).
9. Tax changes could be phased in over five or ten years rather than all at once.
10. Restricting the expansion boundary to the north side of Glenora Road would have no financial impact on the expanded City and would leave out farm and ALR properties. These would face a bigger tax rise than ordinary homes, so leaving them out should be considered.
11. Area E taxpayers could retain their large sewer and parks reserves. The province routinely protects reserves for the benefit of only those residents who created them.
12. Eagle Heights properties would not have to pay the City parcel tax for sewers.
13. The expansion area could be given an assured seat or seats on the City Council. This would guarantee a voice on City decisions for these residents and taxpayers.
14. The CVRD could face a net loss of \$87,000 after factoring in some cost reductions due to reduced service needs. Most of this is in community parks and community planning. This works out to \$5 for a home in the remaining part of Area D home and \$28 for an Area E home. The province could direct the City to help fund some of this.
15. Expansion area taxpayers would have a say in boundary restructure (the province would define the process for obtaining this approval).
16. More discussions are needed with the province to clarify implementation aspects of expansion.

1. Introduction

Purpose

This study examines the potential impacts of expanding the boundary of the City of Duncan to include the nearby neighbourhood of Eagle Heights, the adjacent commercial and industrial area, and the rural area south of Glenora Road. The work looks at how local services are provided and funded in the area now, who sets community policies, and how things might be affected by extending the City boundary southward. The goal is to prepare an independent look at boundary restructure impacts. *There is no requirement that the boundary must change.*

In this report the terms “restructuring”, “boundary restructure”, “expansion” and “boundary expansion” are used more or less interchangeably and refer to the same thing.

Why residents might want to join the City

For residents outside the City, the benefits of joining the City include these.

- They would have a full and proper voice in City policies (like water).
- They would rely less on remote decision bodies (like the province).
- They could avoid an extra use fee for the pool.
- They could pay less for water and sewer (they pay more than the City does now).
- They could get a higher level of services (including, potentially, sidewalks and street lights and more frequent garbage collection).

These gains have to be weighed against the overall financial impacts.

Study management

The study is being done by the Boundary Restructure Public Steering Committee, a volunteer group of local residents appointed by the Elected Officials Steering Committee, a group of municipal councillors and electoral area directors from the City of Duncan, the District of North Cowichan, and the Cowichan Valley Regional District (“CVRD”). The Public Steering Committee will present the findings for public discussion and then make recommendations and suggestions regarding City boundary expansion to the Elected Officials Steering Committee.

Figure 1: The Public Steering Committee

Name ...	Representing ...
• John Campbell (Chair)	• Area E
• Joanne Gardiner (Vice Chair)	• Area D
• Calvin Fee	• Area E
• Sheila Hobbs	• City of Duncan
• Peter Holmes	• Area D
• Tracey King	• City of Duncan
• Rob Laver	• City of Duncan
• Chip Seymour	• Cowichan Tribes
• Mark Turner	• District of N. Cowichan
• Henry Wikkerink	• Area E
• Alternates: Cathy Basskin	• Area D
Renee Leger	• District of N. Cowichan

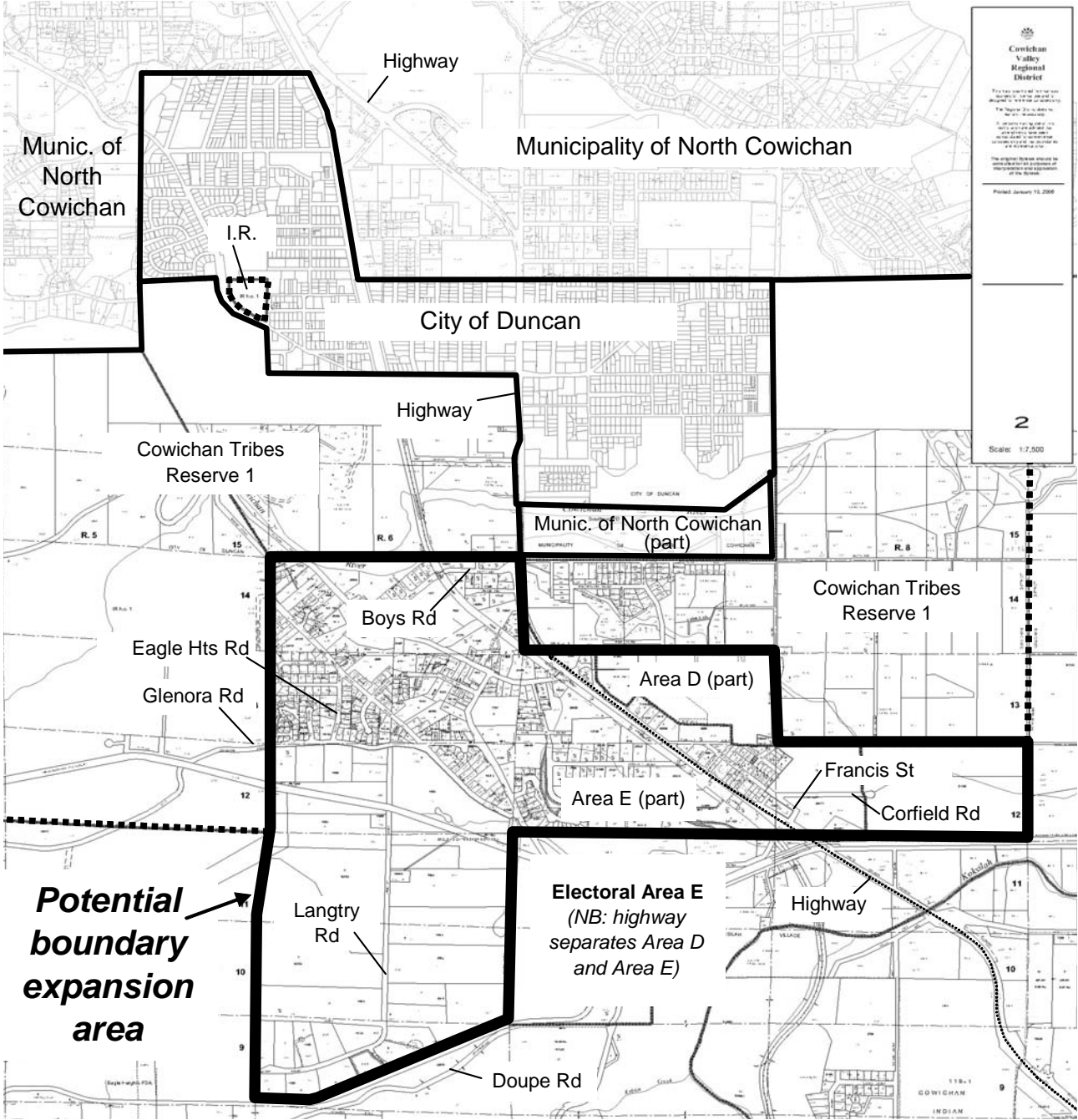
This technical report has been prepared by Tom Reid of Sussex Consultants Ltd., with assistance from Kerr Wood Leidal Associates on road costs. The study is funded by a grant from the

provincial Ministry of Community Services. A substantial amount of technical material has been assembled and analyzed in the course of the study. The major sources of information – mainly budgets, tax information, and mapping – have been the City, the CVRD, and the province.

Study area

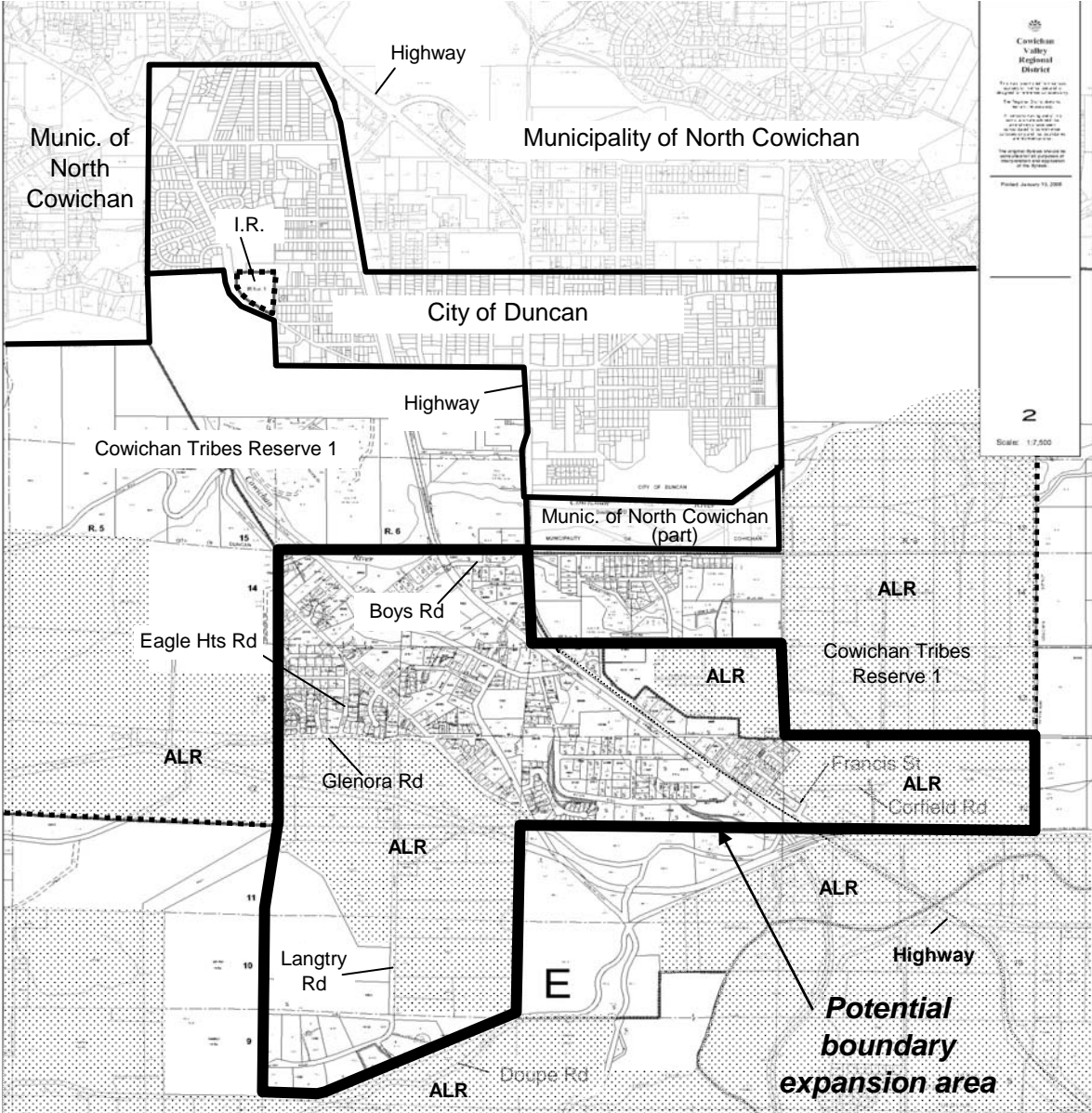
The map below shows the overall study area. The boundary was established by the Elected Officials Steering Committee.

Figure 2: Map of the Potential Expansion Area



The next map shows the Agricultural Land Reserve properties in the area. This is an important designation for local governments because development is very restricted in the ALR and local governments do not have the power to change the ALR status. That power rests with the independent Agricultural Land Commission, not a city council or regional board.

Figure 3: Agricultural Land Reserve (ALR) Areas



How the boundary could be changed

Municipalities (like the City of Duncan) and regional districts can't change their own boundaries. That power rests with the province, and it is exercised within the constraints of the Local Government Act.

The process at hand could involve the following steps (this is an abbreviated list).

- The Public Steering Committee presents the findings for public discussion.
- The Public Steering Committee makes recommendations to the Elected Officials Steering Committee.
- Duncan City Council considers the recommendations and suggestions of both committees and decides whether to initiate a boundary expansion process. If council chooses to start the process ...
- It submits a boundary expansion application to the provincial Ministry of Community Services.
- It places an ad notifying the public of the boundary expansion application.
- Council must either (a) voluntarily hold a referendum for City residents ... or (B) provide residents with the opportunity to force a referendum of City voters. If it is (B), a referendum must be held if 10% of the eligible voters petition for a referendum. If less than 10% sign up, then no referendum need be held.
- Assuming City support, the Minister of Community Services then decides whether to hold a referendum of expansion area residents. The law does not require such a referendum, but where there are significant numbers of residents in the expansion area, it has long been the practice of the province to hold a formal referendum. It seems likely that with 1,000 or so residents, the expansion area would warrant some form of assent process but the specifics would be up to the Minister.
- If both the City and, optionally, the expansion area have approved, the province changes the City's letters patent to implement the boundary change.

Throughout the process, there is considerable dialogue with the Ministry of Community Services. These discussions include a transitional plan for various services (particularly regional district service transfers and conditions) and any special circumstances that should be formalized into the revised letters patent. Establishing special conditions in the letters patent binds subsequent City councils to particular requirements that they could otherwise change (that is, policies and regulations that would normally fall under the authority of the council). This is a way to ensure the continuation of specific provisions for the City.

Discussions with the province also involve short term assistance to the City. The province has an established program for providing restructure assistance to municipalities, including up-front grants and continuation of provincial services.

Negotiations with the province

Assumptions have been made here about transitional steps and short-term assistance from the province. These need to be discussed and clarified with the province before residents are asked to approve or disapprove of boundary expansion. These discussions have already started but at the time of writing have not been completed. Additional information from the province will be factored into our work as it is received.

Report contents

This technical report has been broken into the following chapters.

- Chapter 2 gives an overview of the current local government situation in the study area.
- Chapter 3 describes what would or could change as a result of boundary expansion, with considerable focus on the regional district functions and services.
- Chapter 4 presents financial projections related to boundary expansion. It develops the data needed for the “before” and “after” comparison of taxes.
- Chapter 5 presents the tax impacts due to restructuring.

- Chapter 6 examines the impacts of changing various assumptions about budgets, services and tax policies. These are essentially “what if” questions that help give a better context for assessing the impacts of restructuring.
- Chapter 7 is a summary of the technical work.

2. Current Situation

Introduction

The study area is part of a very complex system of local governance. It is made complex by the location and nature of existing jurisdictions. There are essentially four different local government bodies that, from the air at least, would not seem particularly distinct:

- The City of Duncan (a municipality)
- The District of North Cowichan (a municipality that surrounds the City on essentially three sides)
- Cowichan Tribes Reserve #1 (a designated reserve; local government regulations do not apply to reserves)
- Parts of two electoral areas – the western part of Area D and the eastern part of Area E – of the Cowichan Valley Regional District (CVRD).

However, they *are* distinct in the context of local governance representation, obligations, services and taxes. For the rest of this report, the discussions about governance, services, and taxes focus on just the City and those parts of Area D and E that are in the study area rather than on North Cowichan or the Cowichan Tribes.

Governance models

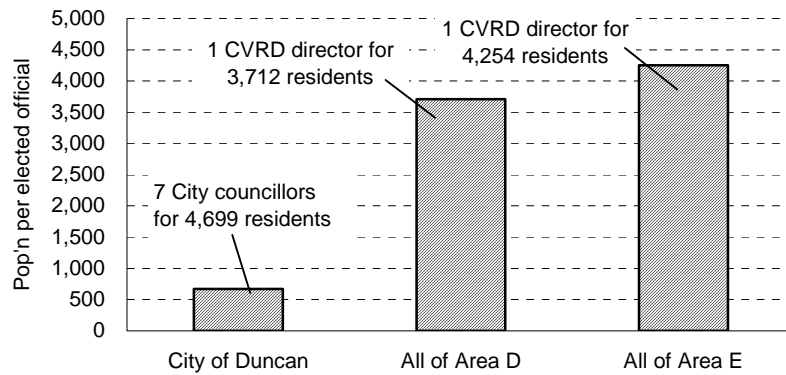
For residents in the expansion area there are two main forms of local government.

- By far the most predominant local government in the expansion area is the regional district. Electoral Area D and Electoral Area E residents in the study area share their respective directors on the CVRD board with the other residents of Area D and E. Electoral area directors sit for three year terms and are elected by only those residents in their area. In addition to broad-area, shared functions, the CVRD provides local planning, animal control, building permits, building inspection, and community park services in the electoral areas. CVRD bylaws and services for any one electoral area require the approval of multiple directors (a single director can't be the only one voting on a regional district bylaw), which means approval is needed from at least one official elected by constituents of another area.
- The province also acts as a local government for expansion area residents for four services that can be considered "local" (as opposed to province-wide functions like highways or property assessment): Subdivision approval, policing, roads, and tax collection. Expansion area residents are represented on this "local government" body – the provincial legislature – by their MLA, who also represents many other constituents.

For residents of Duncan, the main local government body is a municipality – the City of Duncan – which is administered by the elected seven-person City council (one is the mayor). Their terms of office are the same as the regional district electoral area directors (both bodies use the same election cycle). The voter eligibility rules for council elections are the same as for electoral area directors. Like all municipalities, the City's responsibilities include land use planning, local roads (but not highways), animal control, building permits, building inspections, community parks and recreation, tax collection, and taxation policies. Municipalities have a longer list of obligations and service options than do regional districts.

There is an imbalance in the level of elected representation between the City and the expansion area. As shown below, using 2001 Census numbers, there are about 700 people for each councillor in the City but in electoral areas D and E the number is closer to 4000.

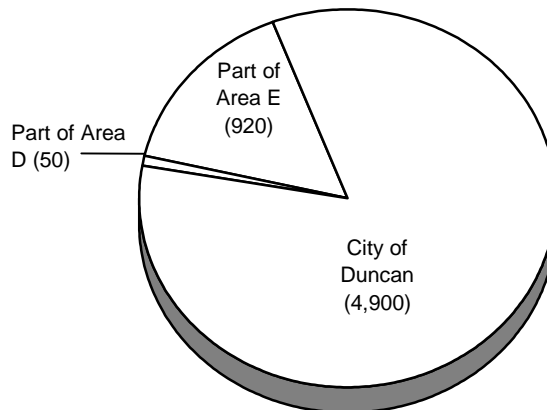
Figure 4: Population Per Elected Local Government Official



Size of the communities

The City has many more people than does the expansion area. The most recent population estimates indicate that about 1,000 people live in the expansion area and almost 5,000 live in the City, as shown below.

Figure 5: Population in the Study Area



Excludes Cowichan Tribes reserve

Duncan's population is particularly important, because municipalities over 5000 are responsible for their policing, and these costs can be significant. It takes a federal Census to trigger this. The 2006 Census results are not out yet. If it reveals a population of over 5000, and it is likely it will, the City will have to phase a substantial policing bill into its budget.

There is no particular cost or service threshold associated with the 970 people in the expansion area – except to note that if boundary restructure takes place, there won't be any doubt about the City having over 5000 residents.

Local services

Both parts of the study boundary – the City and the expansion area – generally receive the same array of services. For example, both have zoning bylaws, fire protection, road maintenance, tax collection, animal control, building permits, and so on. Both share in various wide-area functions of the regional district, and both contribute to the regional library system.

Figure 6: Selected Services and Functions in the Study Area

	In the City of Duncan	In Area D and E (parts in study area)
<i>(A) Functions and services that differ</i>		
1 Reg. District (CVRD) director	A member of City council	Each area elects one director
2 Main local gov't body	City council	CVRD board
3 Property tax collection	City	Province
4 Zoning bylaws	City council	CVRD board
5 Official community plan	City council	CVRD board
6 Subdivision approval	City staff	Provincial staff*
7 Water system	City	CVRD contract with City**
8 Sewage collection system	City	CVRD**
9 Building permits + inspections	City	CVRD
10 Local road maintenance and repair	City (but hwy is a provincial service)	Province (via a contractor)
11 Garbage collection + recycling	City (own staff)	CVRD (contractor)
12 Pool	City	no pool in study part of D or E
13 Community parks	City	CVRD
<i>(B) Shared functions and services</i>		
1 Sewage treatment / disposal	Joint City-North Cowichan-CVRD	Joint City-North Cowichan-CVRD
2 Fire department	City fire dep't	City dep't (CVRD contracts with City)
3 Policing	Province/RCMP	Province/RCMP
4 Garbage disposal (landfill)	CVRD	CVRD
5 Cowichan Centre	CVRD~	CVRD~
6 Library	V.I. Library Distr.	V.I. Library Distr.
7 Highway	Province	Province
8 Property assessment	Province	Province

CVRD = Cowichan Valley Regional District

** Excludes Langtry Rd area

* Subdivision application is made to CVRD but provincial staff has approval authority

^ The CVRD parks in Area D and E lie outside the study area

~ Participation in funding varies in the study area (not all areas pay the same)

In some cases both areas pay the same tax rates for similar or shared services, like fire protection and regional parks. However, there are some differences. The City directly provides – and directly funds – a greater array, and in some cases a higher standard, of services than do the electoral areas.

Both the CVRD and the City rely predominantly on property taxes to fund their services. For many local services – like sewer, fire protection or community parks – there is a direct link between costs and taxes: a 10% rise in costs means a 10% rise in taxes (other things being equal). While this applies to almost all City services, it does not necessarily apply to the expansion area. This is because some services in the expansion area are provided to and funded by a much larger geographic area, and the link between what is *spent* in the expansion area and what expansion area taxpayers actually *pay* may not be strong.

For example, if \$100,000 is spent on a road in Eagle Heights, that cost is part of the enormous basket of road costs in many other areas of the province, and a single tax rate for it (the provincial rural tax) is applied to all electoral area properties of the province. The extra \$100,000 would hardly be measurable in terms of the tax rate paid by Eagle Heights properties. That is quite different than in the City, where an extra \$100,000 in road costs means an extra \$100,000 in City taxes.

Tax bases

A community’s tax base is the sum of all its taxable property assessments. Some types of properties pay higher tax rates than others, so the effective tax base is actually a larger number that has been weighted to reflect the higher tax-paying classes of property.

The following two figures show the 2006 tax bases in the study area using assessments for hospital and CVRD purposes (the figures for municipal purposes are very slightly lower).

Figure 7: 2006 Tax Bases in the Study Area (in \$000s)

Property class	City of Duncan	The part of Area D that is in the study	The part of Area E that is in the study	Total study area
1. Residential	\$310,007 77%	\$4,062 32%	\$80,573 66%	\$394,643 73%
2. Utilities*	\$6,380 2%	\$271 2%	\$5,154 4%	\$11,805 2%
4. Major industry	\$0 0%	\$0 0%	\$0 0%	\$0 0%
5. Light industry	\$0 0%	\$899 7%	\$5,253 4%	\$6,152 1%
6. Business + other	\$87,225 22%	\$7,389 59%	\$29,965 25%	\$124,580 23%
7. Managed forest	\$0 0%	\$0 0%	\$0 0%	\$0 0%
8. Rec'n + non-profit	\$552 0%	\$0 0%	\$418 0%	\$970 0%
9. Farm land	\$3 0%	\$0 0%	\$161 0%	\$164 0%
Total, unweighted	\$404,167 100%	\$12,621 100%	\$121,524 100%	\$538,314 100%
Total weighted^	\$546,593	\$26,170	\$190,465	\$763,228

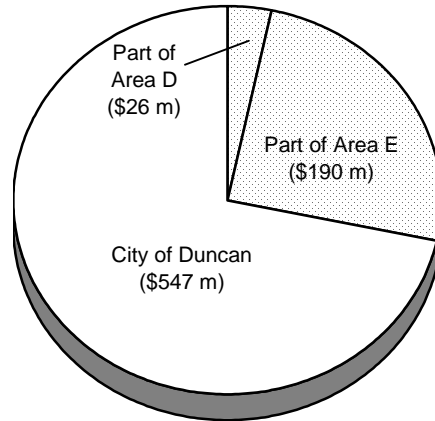
* Area D and E utility values are lower than this for municipal purposes

^ Weighted using hospital tax rate multiples by class

What type of property do you have?

The property taxes you pay depend your property’s value and its assessment category. Almost all homes are in Class 1 (“residential”), but businesses can be in Class 6 (“business”), Class 4 (“major industry”), or Class 5 (“light industry”), depending on what kind of enterprise it is. Businesses pay higher tax rates than homes. You can see what class you’re in by looking at your BC Assessment Authority notice or your property tax bill.

Figure 8: Summary of 2006 Tax Bases in the Study Area



* Weighted using hospital tax rate multiples for each class

The provincially-set hospital weights are used when determining CVRD taxes; and the province uses a different set of weights for its rural tax. The City uses its own tax rate weights when computing its tax numbers.

Figure 9: 2006 Tax Rate Multiples (residential rate always = 1.00)

	City of Duncan	Regional District	Provincial rural tax
Business	3.54	2.45	5.14
Light industry	(none)	3.40	5.14
Utility (rail, etc)	11.01	3.50	5.89

Example: City's business tax rate is 3.54 times the rate for residential properties for homes

Property taxes

Taxes are higher in the City than in the expansion area, though the difference depends on whether you live in Area E and Area D. Taxes also vary with your property assessment. To provide a consistent measure in this report, the typical home is defined as having a 2006 property assessment of \$200,000. There are of course many properties assessed lower and many higher, but this serves as a good approximation here, and it is in fact very close to the average in both the City and the expansion area.

The next figure shows the 2006 tax rates in the study area.

Figure 10: 2006 Property Tax Rates in the Study Area

	In the City of Duncan	Area D part of study	Area E part of study
Provincial rural tax	--	\$0.7000	\$0.7000
General municipal tax	\$3.6274	--	--
CVRD fire protection tax*	<i>in mun. tax</i>	\$0.6772	\$0.6772
Other CVRD taxes*	\$1.4679	\$2.9159	\$2.2228
School tax	\$3.0068	\$3.0068	\$3.0068
Hospital district tax	\$0.2766	\$0.2766	\$0.2766
BC Asmnt Authority + MFA	\$0.0819	\$0.0819	\$0.0819
Total tax per \$1000 asmnt	\$8.4606	\$7.6584	\$6.9653

* CVRD tax rate for Area D and E includes 5.25% provincial tax collection fee

CVRD = Cowichan Valley Regional District

MFA = Municipal Finance Authority

Excludes water and sewer

These tax rates – plus the current user fees for water, sewer, and garbage – lead to the following 2006 property charges on a home.

Figure 11: 2006 Property Charges on a \$200,000 Home in the Study Area

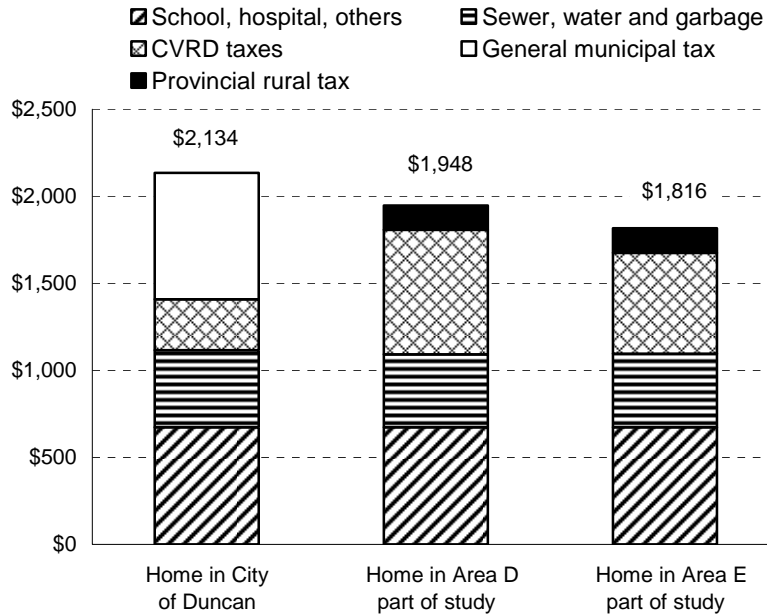
	In the City of Duncan	Area D part of study	Area E part of study
Provincial rural tax	--	\$140	\$140
General municipal tax	\$725	--	--
CVRD fire protection tax	<i>in mun tax</i>	\$135	\$135
Other CVRD taxes	\$294	\$582	\$447
School tax	\$601	\$601	\$601
Hospital district tax	\$55	\$55	\$55
BC Asmnt Authority + MFA	\$16	\$16	\$16
Total general taxes for most homes	\$1,691	\$1,529	\$1,394
Water parcel tax	\$0	\$0	\$0
Water user fee	\$128	\$166	\$166
Sewer parcel tax	\$20	\$0	\$0
Sewer user fee	\$147	\$173	\$173
Garbage + recycling collection fee	\$148	\$80	\$83
Total property charges	\$2,134	\$1,948	\$1,816

Based on a \$200,000 home; taxes vary with assessed value; excludes home owner grant
Some numbers rounded

Current tax gaps would not apply

The fact that City taxes are higher now does not mean that expansion area homes would face these tax increases. There are ways to significantly lessen, or eliminate entirely, the taxes for expansion area homes after restructure.

Figure 12: Summary of 2006 Property Charges on a Home



Taxes vary with home value; excludes home owner grant

Why are taxes higher in the City?

City taxes are higher mainly because the City provides higher or expanded service levels, and pays for more services. Examples include sidewalks, road standards, community parks, the pool, and more frequent garbage collection.

- A City home pays \$33 in taxes for the pool (soon to be \$74); Area E residents pay no tax for the pool (though they may soon pay a higher user fee than City residents).
- A city home pays \$349 for roads; an Eagle Heights home pays \$140 for roads and policing combined.
- City homes pay \$148 annually for garbage collection (weekly) and recycling pickup (every two weeks), whereas Eagle Heights homes pay about \$80 per year for collection every two weeks.

Taxes on a store

Just as the taxes on a home are higher in the City, so too are the taxes on a business property. The following tables show the 2006 tax rates and property taxes on a sample \$200,000 business. Note that there is considerable variation in business assessments, as some businesses are small and have small buildings while others are far more substantial in scope and thus have a much higher property assessment.

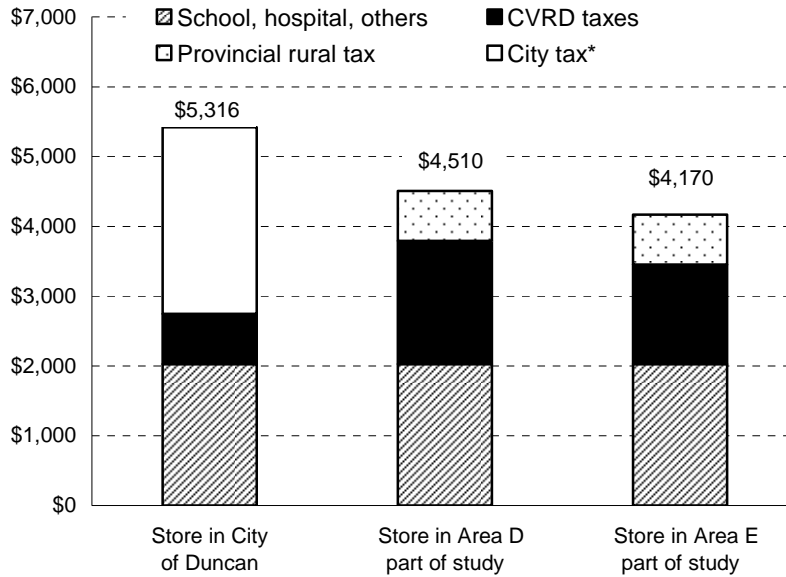
The two figures exclude garbage, water, and sewer charges, which vary considerably among the different types of businesses.

Figure 13: 2006 Tax Rates on a \$200,000 Store in the Study Area

	In the City of Duncan	Area D part of study	Area E part of study
Provincial rural tax	--	\$3.6000	\$3.6000
General municipal tax	\$12.8410	--	--
CVRD fire protection tax	<i>in mun. tax</i>	\$1.6591	\$1.6591
Other CVRD taxes	\$3.5964	\$7.1440	\$5.4459
School tax	\$9.2000	\$9.2000	\$9.2000
Hospital district tax	\$0.6777	\$0.6777	\$0.6777
BC Asmnt Authority + MFA	\$0.2648	\$0.2648	\$0.2648
Total tax per \$1000 asmnt	\$26.5799	\$22.5456	\$20.8475

City of Duncan business also pays a \$100 business licence fee

Figure 14: Summary of 2006 Taxes on a \$200,000 Store



* City tax includes \$100 business licence

Does joining the City mean higher taxes?

The fact that City taxes are higher than electoral area taxes does not mean a tax rise would be inevitable for homes joining the City. This is because (a) Electoral area taxes have been rising faster than City taxes, so the gap may be eliminated even without joining the City; (b) there are ways to mitigate the tax impacts of joining the City, including directing start-up grants to the electoral area homes, preserving the current garbage collection rates, and phasing taxes in gradually over a number of years.

3. What Would Change

Introduction

This chapter describes local services, functions, and policies that would or could be affected in a meaningful way by expanding the City's boundaries to include the expansion area. Most of the discussion relates to changes that affect those Area D and E residents who live in the study area.

Service responsibilities that would not shift

The following local services would not be affected in a meaningful way by boundary restructure.

- School and health programs, services and taxes (these are independent of local government).
- Agricultural Land Reserve additions or removals (this remains the responsibility of the Agricultural Land Commission, which is independent of both municipalities and regional districts).
- TransCanada Highway (this remains a senior government responsibility).
- Property assessments (this remains the responsibility of the BC Assessment Authority).
- Participation in wide-area functions of the CVRD (see separate section below).
- Sewage treatment and disposal (this remains a Joint Utility Board function; the JUB members are CVRD, Cowichan Tribes, the City of Duncan, and the District of North Cowichan).
- Eagle Heights water (this is already a City service outside the City boundary).

Governance model would change

As part of the City, residents of the expansion area would no longer take part in separate elections for their regional district director every three years. Instead, they would vote for the City council members every three years. They would still be represented at the CVRD, however. City council chooses one of its own members to represent the City on the CVRD board.

It would be possible to ensure residents of a seat or seats on City council. Under the current, normal model, City council has seven members (a mayor and six councillors), all elected "at large" – that is, all elected in a City-wide balloting process. No member of council represents any specific neighbourhood of the City. The next elections will be in November 2008 under our three-year cycle (which also applies to the regional district elections).

It would be possible for the province to amend the City's letters patent to allow for special representation from the expansion area, assuming the current City council agrees. This could give some comfort to these residents who might fear their views might not be properly heard on City council. It would give them a presence on council not accorded to any other neighbourhood in the City.

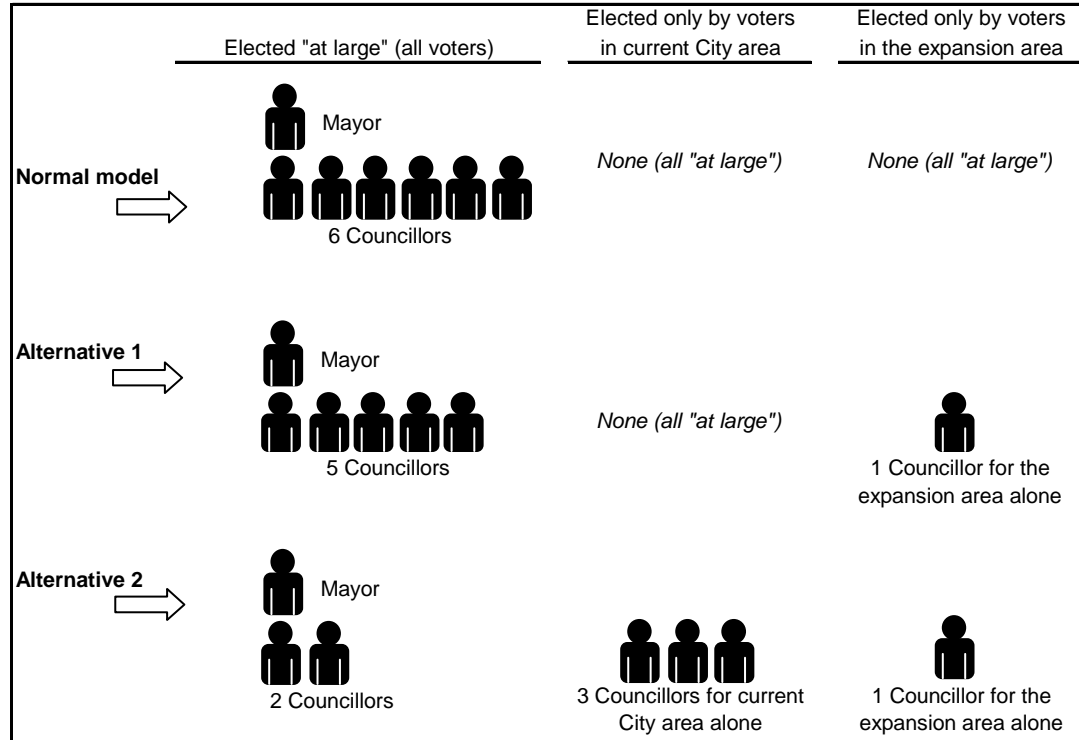
Under an area representation system (more loosely called a ward system), only voters in the designated area get to vote for the candidate(s) in their area. You do not have to live in the neighbourhood to run for that reserved seat, though that could be a distinct advantage when those voters go to the polls. Voters in the area still get to vote for all the "at large" positions on council.

Here are two variations on the normal "at large" model that would assure the expansion area of its own representation on City council.

- Alternative 1 simply reassigns one "at large" seat on council to expansion area voters alone.

- Alternative 2 gives both areas special status on City council, though on a population basis the expansion area has greater representation than the current City area (the City area has five times the population but would have only three times the assured seats).

Figure 15: Three Models of Representation on City Council



There could be other alternatives, too, such as adding two more seats on council and assigning them to the expansion area (for a total of nine on council); a variation of alternative 2 could give four seats to the current City area and leaves only two seats to be elected at large; and two more seats could be added to Council immediately upon restructure and sit until November, 2008, when the total Council size could revert back to seven or remain at the expanded nine.

If an area representation model is chosen, a decision would have to be made as to its longevity.

- It could be permanent. However, enshrining this in the City's letters patent would remove the rights of future council and voters to change the system, and thus may be a flawed choice.
- It could have a set life (like two terms) and then expire unless council reaffirms it. Council could choose (or be required) to hold a referendum on the topic.

One problematic issue could be the timing. There wouldn't be much problem if the area representation plan is to start in 2008, but if the plan is to start soon after restructure in, say, January of 2007, there would still be almost two years (until November 2008) before the current terms of office are up. To start area representation before November 2008 would require either:

- A whole new City election for all seats on council. This would allow (but is not required for) alternative 1. It would be required for alternative 2.
- An existing councillor to resign and be replaced by a newly elected representative from the expansion area. This would allow alternative 1 without a whole new council election, but would not allow alternative 2 without one.

However structured, area representation would require the approval of the province as well as the City council.

Local service responsibilities that would shift

The following is a list of some important responsibilities for local services that would change as a result of a City boundary expansion. *The list is written from the viewpoint of electoral area properties, not City properties.*

Service or function	Before restructure	After restructure
Animal control	CVRD sets regulations, fees and taxes	City sets regulations, fees and taxes
Building permits and inspections	CVRD sets regulations, fees and taxes	City sets regulations, fees and taxes
Community planning (zoning and development bylaws)	CVRD adopts zoning and community plan bylaws	City adopts zoning and community plan bylaws (note: the City would inherit the existing CVRD bylaws in Area D and E)
Subdivision approval	Provincial staff decides on applications after review by CVRD	City staff decides on applications
Roads and streets	Province is responsible for maintaining, repairing and improving roads outside City (via a private contractor)	City is responsible for maintaining, in the expansion area (but not the highway)
Street lights	CVRD provides lighting in critical locations in Area E	City is responsible for street lights within the City
Community parks	CVRD maintains and improves local parks	City maintains and improves local parks within the City
Tax policies	CVRD sets balance between user fees and taxes (but can't set policy for balance between home and business tax loads)	City sets balance between user fees and taxes, and sets policy for balance between home and business tax loads
Tax collection	Province collects property taxes and forwards money on to agencies like the CVRD (it charges a 5.25% fee for this)	City collects property taxes (costs of collection are built into City's administration budget)
Policing	Provincial-Federal contract for RCMP services; low tax rate to start in 2007	City-Provincial-Federal contract for RCMP services; higher costs probably start in 2008.
Eagle Heights sewer collection (but not treatment and disposal)	CVRD service area	City (could be a separate service area of City)
Cowichan Centre	Area E contributes fully but Area D does not contribute to the costs of the arena	Properties in both electoral area parts of the study would share equally, with the City and North Cowichan, in the total costs of Cowichan Centre

Regulatory bylaws

The City has some regulatory bylaws that would apply in the expansion area if boundary restructuring proceeds.

- Some of them would simply replace CVRD regulatory bylaws that are already in effect there (for example, the building bylaw or the animal control bylaw).
- Some would be new to the expansion area (for example, the City's business licence bylaw).
- One – the City's development cost charge bylaw – could be amended to include the expansion area but this is not mandatory.

It would be possible for the City to amend some (but not all) of its bylaws to more closely reflect the CVRD bylaws.

Figure 16: Regulatory City Bylaws That Could Apply in the Expansion Area

Bylaw topic	Bylaw now applies in the City?	CVRD bylaw now applies in expansion area?	Comment for the expansion area
Building bylaw	✓	✓	Already exists in expansion area
Zoning bylaw	✓	✓	Already exists in expansion area
Subdivision bylaw	✓	✓	Already exists in expansion area
Business licence bylaw	✓	✗	City bylaw would apply in expansion area
Sign bylaw	✓	✓	Already exists in expansion area
Off-street parking bylaw	✓	✓	Already exists in expansion area
Noise bylaw	✓	✓	Already exists in expansion area
Animal control bylaw	✓	✓	Already exists in expansion area
Unightly premises bylaw	✓	✓	Already exists in expansion area
Burning bylaw	✓	✗	City bylaw would apply in expansion area
Campsite standards bylaw	✗	✓	City zoning bylaw covers this
Fireworks bylaw	✗	✓	City fire bylaw covers this
Development cost charge	✓	✗	Need not apply in expansion area
Floodplain bylaw	✓	✗	City bylaw would apply in the expansion area (some parts of CVRD zoning bylaw already cover this)

Regional district finances that would not be affected

The shift in governance responsibilities to the City would affect some CVRD finances but not all.

The functions shown in the next figure would not be affected in any meaningful way by expanding the City boundary. The tax base and tax rates used to finance these services would be the same whether or not boundary expansion occurs, and the voting membership on decisions about the functions would not be affected.

Figure 17: Shared CVRD Functions Not Affected by Boundary Restructure

CVRD function	Continued funding participants
911 Service	All areas of CVRD
Cowichan Centre theatre loan	Duncan, North Cowichan, E, D
Emergency planning	All areas of CVRD
Economic development	All areas of CVRD
General government	All areas of CVRD
Regional parks	All areas of CVRD
Regional tourism	All areas of CVRD
Solid waste complex	All areas of CVRD
Victim services	A,B,C,D,E, Duncan, N. Cowichan, Lake Cowichan

Regional district functions that would be affected

A number of CVRD functions would be affected. These can be broken into two general groups:

- Local-service functions that shift entirely to the City and form part of the City tax rate; and,
- Functions that could remain with the CVRD but see a shift in funding participation.

Figure 18: Regional District Functions That Could Be Affected

CVRD function	What happens	Who pays now	Of those who pay, do all pay the same	Effect of boundary restructure for the CVRD	Can CVRD lower spending to offset lost tax base?
Animal control	Shifts to City	All electoral areas	Yes	Lower costs + lower tax base	Possible
Building inspection	Shifts to City	All electoral areas	Yes	Lower costs + lower tax base	Unlikely in short term
Community parks	Shifts to City	All electoral areas	No (each EA pays its own rate)	Lower costs + lower tax base	Possible
Cowichan Centre	Stays with CVRD (minor rate change)	Duncan, North Cowichan, D, E	No (Area D doesn't pay for the arena)	No impact: Same costs + larger tax base for arena	Not needed (no revenue loss)
Electoral area services	Shifts to City	All electoral areas	Yes	Lower costs + lower tax base	No
E.A. feasibility study	Stays with CVRD	All electoral areas	Yes	Probably same costs + lower tax base	Not likely
Grants in aid	Shifts to City	All electoral areas	No (each EA pays its own rate)	Same costs + lower tax base	Not likely
Library	Shifts to City	All electoral areas	Yes	No impact: cost simply shifts to City budget	Cost adjustment not needed
Community planning	Shifts to City	All EA's (except Islands Trust)	Yes	Lower costs + lower tax base	Unlikely in short term (possible later)
Kerry Park recreation	Stays with CVRD	EA's A, B, C, and D	Yes	No impact: City could pay Area D share*	Not needed (no revenue loss)
Recreation - Glenora	Stays with CVRD	Area E	Yes	No impact: City could pay Area E share*	Not needed (no revenue loss)
Bright Angel Park	Stays with CVRD	EA's A, B, C, D and E	Yes	No impact: City could pay D+E shares*	Not needed (no revenue loss)
South end parks	Stays with CVRD	EA's A, B, C, and D	Yes	No impact: City could pay Area D share*	Not needed (no revenue loss)
Transit	Stays with CVRD	All but E, G, H, Ladysmith	No (shares set by consensus)	Same costs + possibly tax base (part of Area E)	Cost adjustment might not be needed
Critical street lighting	Shifts to City (lights in the study area)	EA's A, C, E, I	No (each EA pays its own rate)	Lower costs + lower tax base	Possible
Cowichan community policing	Stays with CVRD	Duncan, North Cowichan, D	No (shares set by consensus)	Same costs + possibly larger tax base (part of E)	Cost adjustment might not be needed

* The province would require the City to continue making the tax contribution for properties that join the City

The following figure shows the tax rates for all CVRD functions in the study area and what would happen if the City boundary is expanded.

Figure 19: Snapshot of 2006 CVRD Tax Rates Before and After Restructure

	Tax rate before expansion			CVRD tax rate in the City <u>after</u> boundary expansion	
	City of Duncan	Study part of Area D*	Study part of Area E*	Rate	Comment
(A) City participates in these and they are not affected:					
911 Service	\$0.0446	\$0.0469	\$0.0469	\$0.0446	No change
Cowichan Centre theatre loan	\$0.0143	\$0.0151	\$0.0151	\$0.0143	No change
Emergency planning	\$0.0304	\$0.0320	\$0.0320	\$0.0304	No change
Economic development	\$0.0374	\$0.0394	\$0.0394	\$0.0374	No change
General government	\$0.1713	\$0.1803	\$0.1803	\$0.1713	No change
Regional parks	\$0.0170	\$0.0179	\$0.0179	\$0.0170	No change
Regional tourism	\$0.0117	\$0.0123	\$0.0123	\$0.0117	No change
Solid waste complex	\$0.2343	\$0.2466	\$0.2466	\$0.2343	No change
Victim services	\$0.0110	\$0.0116	\$0.0116	\$0.0110	No change
Subtotal (A)	\$0.5720	\$0.6021	\$0.6021	\$0.5720	
(B) City participates in these and they may be affected:					
Cowichan Centre	\$0.7098	\$0.5821	\$0.7471	\$0.7080	Slight fall due to D sharing in arena costs
Cowichan community policing	\$0.0519	\$0.0292	--	\$0.0381	Assume cost spread across expanded City
Transit	\$0.1333	\$0.1405	--	\$0.1333	Assume City rate applies to D and E and service is extended to Eagle Heights
Subtotal (B)	\$0.8950	\$0.7518	\$0.7471	\$0.8794	
(C) City doesn't participate now but could after:					
Kerry Park	--	\$0.7012	--	\$0.0230	These tax rates across the whole City would assure that the CVRD doesn't lose funding for these functions after restructure
Glenora recreation	--	--	\$0.0168	\$0.0040	
Bright Angel park	--	\$0.0097	\$0.0097	\$0.0026	
South end parks	--	\$0.0188	--	\$0.0006	
Subtotal (C)	\$0.0000	\$0.7297	\$0.0265	\$0.0302	
(D) These functions are part of the City budget now:					
Animal control	--	\$0.0065	\$0.0065	--	These CVRD local services become part of the overall City budget and are included in the overall City tax rate (they do not have separate tax rates). They would not be in the CVRD tax paid by the City.
Building inspection	--	\$0.0330	\$0.0330	--	
Community parks	--	\$0.2227	\$0.2695	--	
Electoral area services	--	\$0.0299	\$0.0299	--	
E.A. feasibility study	--	\$0.0008	\$0.0008	--	
Grants in aid	--	\$0.0269	\$0.0096	--	
Library	--	\$0.2309	\$0.2309	--	
Community planning	--	\$0.2733	\$0.2733	--	
Critical street lighting	--	--	\$0.0067	--	
Total excluding fire	--	\$0.8240	\$0.8602	--	
(E) Eagle Heights fire service					
	--	\$0.6772	\$0.6772	--	
Grand total CVRD tax rate	\$1.4670	\$3.5848	\$2.9131	\$1.4816	
Tax on a \$200,000 home	\$293	\$717	\$583	\$296	

* Includes 5.25% provincial tax collection fee

Some numbers are rounded

Projected CVRD taxes

The snapshot above shows the change in the CVRD tax rate based on 2006 service costs and budgets. Since the analysis uses 2010 projections (to allow the factoring in of certain future costs and revenues), an adjustment is needed before the CVRD tax rates can be used in the analysis of the overall tax impacts.

The only adjustment needed affects the items in parts (C) and (D) in the preceding figure. The “after restructure” City taxes will have some “real” rises built into them (that is, rises over and above inflation). Since the taxes in part (D) have direct counterparts in the municipal budget, it is fair to factor in some “real” rises in these costs under the CVRD system too.

Since the City also shares in the fire cost, we need not worry about tax rises for it. They are part of the City’s 2010 Financial Plan estimate, and homes throughout the study area will share equally in the changes.

A separate analysis shows that over the last five years (2002-2006), the CVRD taxes on a home for animal control, building inspection, community parks, electoral area services, grants in aid, and community planning have risen at an annual rate of 9.9% over and above inflation (well above the City’s 3.0% over the same period). The 9.9% rate may be an excessive amount to assume between now and 2010, so to be conservative, the CVRD tax rates for these functions are assumed to rise at 5% per year over and above inflation – half the actual rate over the last five years. This applies to parts (C) and (D) in the table.

The remaining CVRD taxes need not be adjusted for the 2010 before-and-after comparison. The CVRD tax rates in sections (A) and (B) of the preceding figure affect all study area taxpayers more or less equally, so ignoring any potential changes has no meaningful effect on the comparisons. Tax rates for expansion area fire protection are also left as is for the 2010 projection under the “current system”.

Figure 20: 2010 CVRD Tax Rates for Before-and-After Comparison

	Adjust. to 2010 [^]	Without restructure (ie, current system)				After restructure 2010*
		CVRD tax in Area D		CVRD tax in Area E		
		2006	2010*	2006	2010*	
(A) Shared CVRD functions that wouldn't be affected at all	none	\$0.602	\$0.602	\$0.602	\$0.602	\$0.572
(B) Shared functions that would be affected only slightly	none	\$0.752	\$0.752	\$0.747	\$0.747	\$0.879
(C) CVRD functions the City could pay into to avoid CVRD losses	up 5.0% p.a.	\$0.730	\$0.887	\$0.027	\$0.033	\$0.030
(D) CVRD functions that are part of the normal City budget	up 5.0% p.a.	\$0.824	\$1.002	\$0.860	\$1.045	--
(E) Eagle Heights fire service	none	\$0.677	\$0.677	\$0.677	\$0.677	--
Grand total, CVRD tax rate		\$3.585	\$3.920	\$2.913	\$3.104	\$1.481

* 2010 tax rates stated in constant 2006 dollar values ^ Adjustment to reflect rises over the rate of inflation

In summary, the 2010 tax rates in the table above are used in the calculation of “before-and-after” tax impacts.

Impacts on remaining CVRD members

For some functions, boundary expansion would reduce the CVRD tax base but not the costs, leaving the remaining CVRD members to fill the tax gap. For other functions, the tax base would

fall but costs could also fall. The following figure shows these functions. “Lost” refers to the reduction due to shifting property assessments from the electoral area into the City. The total “lost” revenues would be just under \$130,000, but this is before any consideration of costs savings to the CVRD. Almost 80% of the tax loss is from just two functions: Area E community parks and community planning.

Figure 21: CVRD Revenue Losses Due to Boundary Expansion

	2006 CVRD Tax rate*	Lost tax base in \$000s	Lost tax revenue	Tax base for the service [^]		
				Current (\$000s)	After restructure	Pct decline
Animal control	\$0.0062	\$216,635	\$1,343	\$5,174,040	\$4,957,405	4.19%
Building inspection	\$0.0314	\$216,635	\$6,802	\$5,174,040	\$4,957,405	4.19%
Community parks - Area D	\$0.2116	\$26,170	\$5,538	\$363,990	\$337,820	7.19%
Community parks - Area E	\$0.2561	\$190,465	\$48,778	\$468,560	\$278,095	40.65%
Electoral area services	\$0.0284	\$216,635	\$6,152	\$5,174,040	\$4,957,405	4.19%
E.A. feasibility study	\$0.0008	\$216,635	\$173	\$5,174,040	\$4,957,405	4.19%
Grants in aid - Area D	\$0.0256	\$26,170	\$670	\$363,990	\$337,820	7.19%
Grants in aid - Area E	\$0.0091	\$190,465	\$1,733	\$468,560	\$278,095	40.65%
Community planning	\$0.2597	\$216,635	\$56,260	\$4,958,710	\$4,742,075	4.37%
Critical street light - Area E	\$0.0064	\$190,465	\$1,219	\$468,560	\$278,095	40.65%
Total			\$128,668			

Excludes library, which loses no funding (just shifts to municipal budget from CVRD budget)

* Excluding 5.25% collection fee

[^] Weighted tax base in \$000s

However, the CVRD would be able to – and indeed, should, as a matter of course – lower its spending, since there would be fewer consumers of these services. For example, its animal control costs, and thus its animal control taxes, should fall because 1000 residents would now be receiving this service from the City and would be paying for it as part of their City taxes. Similarly, cost savings should also occur for building inspection (fewer permits to issue and fewer new buildings to inspect); community parks (fewer parks, after the transfer of several to the City); community planning (fewer people, fewer issues, fewer studies, less mapping, fewer rezonings, etc); and street lights (fewer lights).

Note, however, that some of these cost savings couldn’t occur right away; it could take several years for the savings to show up. For example, the CVRD couldn’t reduce the number of building inspectors immediately upon boundary extension; the savings might occur several years later, in the form of a reduced need for additional staff and resources. Also, certain contract costs couldn’t be lowered until the expiry of the current contract terms.

In addition, it is unlikely that the cost savings would be strictly in proportion to the reduced number of residents being served, since costs are not that elastic. To reflect this, the cost savings for animal control, building inspection, and community planning are estimated at 50% of their per-capita tax costs. For example, the CVRD community planning tax works out to about \$41 per person, and the savings here are calculated at only \$20 per expansion area resident.

There are three functions where the CVRD would not realistically be able to cut its costs: electoral area services, electoral area feasibility study, and grants in aid.

After factoring in these cost savings, the net “lost” taxes are estimated to total about \$87,000 for the study area parts of the two electoral areas. This would force taxes up for the remaining electoral area taxpayers. The tax rate jump depends on the net lost taxes and on the size of the tax base for each individual service. The tax bases range from large to small. For example, the \$48,000 lost revenue for Area E community parks would have to be made up across a tax base of

\$278 million (that is, just the remainder of Area E only), whereas the lost planning funds would have to be recovered from the much larger tax base of \$4.7 billion (all electoral areas combined).

Overall, unless corrective steps are taken, a home in the remainder of Area D would see a \$5 rise in CVRD taxes, and a home in the remainder of Area E would see a \$28 rise (almost all of this is related to community parks). Note that the province could require the City to make up some or all of these lost CVRD revenues, thereby reducing or even eliminating the impact on remaining electoral area properties.

Figure 22: Net "Lost" Taxes for Remaining CVRD Members

	CVRD's Lost tax revenues	Estimated costs savings	CVRD's net tax loss	Extra tax rate for remaining taxpayers~		Extra tax on a home in ...	
				in Area D	in Area E	Area D~	Area E~
Animal control*	\$1,343	\$485	\$858	\$0.0002	\$0.0002	\$0.04	\$0.04
Building inspection*	\$6,802	\$2,493	\$4,309	\$0.0009	\$0.0009	\$0.18	\$0.18
Community parks - Area D**	\$5,538	\$1,000	\$4,538	\$0.0141	--	\$2.82	--
Community parks - Area E^	\$48,778	\$17,000	\$31,778	--	\$0.1203	--	\$24.06
Electoral area services	\$6,152	--	\$6,152	\$0.0013	\$0.0013	\$0.26	\$0.26
E.A. feasibility study	\$173	--	\$173	\$0.0000	\$0.0000	\$0.00	\$0.00
Grants in aid - Area D	\$670	--	\$670	\$0.0021	--	\$0.42	--
Grants in aid - Area E	\$1,733	--	\$1,733	--	\$0.0066	--	\$1.32
Community planning*	\$56,260	\$19,759	\$36,501	\$0.0081	\$0.0081	\$1.62	\$1.62
Critical street light - Area E^	\$1,219	\$500	\$719	--	\$0.0027	--	\$0.54
Totals	\$128,668	\$41,237	\$87,431	\$0.0267	\$0.1401	\$5.34	\$28.02

~ Includes 5.25% provincial tax collection fee

* Cost savings based on 50% of per capita rate for whole service area ^ Cost savings estimate from CVRD staff

** Flat cost savings allowance for the one park in study portion ^ Cost savings based on 5 lights in study area

Note: It could take the CVRD several years to achieve the cost savings

As noted earlier, these are "end state" figures – that is, they assume that the CVRD has had time to adjust its work programs to match its reduced service responsibilities. However, it is unrealistic to expect the CVRD to be able to trim its budgets instantaneously, and some of the cost savings listed above could take up to three years to be achieved. For example, land use planning may include community plan reviews that will span two years, and the CVRD shouldn't be expected to abandon such efforts in unaffected areas just because the City extends its boundary.

Where warranted by circumstances, the province commonly requires a municipality to continue to help fund electoral area services after boundary extension, and this avenue should be explored in more depth with the province.

4. Financial Projections

Introduction

This chapter discusses the projected City budgets associated with expanding the City boundary. The starting point is the City's 2006-2010 Financial Plan, which sets out the anticipated City revenues and spending over the next five years. Expanding the City boundary to include the 970 residents of the study area would increase its costs, since more people and more roads mean more costs. Of course, the City's tax base would rise too, as the current property assessments in the expansion area are added to the City's total. The balance between the added costs and the added tax base shapes the tax impacts of restructure.

Budget projections and 2006 dollar values

Earlier we showed the 2006 taxes on a home. This would ordinarily be the "before" snapshot in the "before-and-after" comparison. The "after" picture would be the taxes after boundary restructure, based on budget changes that restructure would trigger. The difference between them would be the impact of restructure, stated in 2006 dollar values and based on 2006 budgets.

However, a different approach must be taken here because there are several large financial changes that will not show up until *after* 2006. Using only 2006 numbers would thus present a misleading comparison. There are several particularly significant changes that need to be factored in.

- Policing costs: It is assumed the 2006 Census will reveal a City population over 5000, which means the City will have to provide municipal-level policing and fund it. This new cost wouldn't reach its full level until 2010, following a phase-in period. The Financial Plan thus includes a budget for policing for 2010 even though the 2006 budget does not.
- Small communities policing tax: The province has announced that municipalities under 5000 and electoral areas will start paying a policing tax in 2007. This is not included in the 2006 tax bills but should be factored into the comparison.
- Small communities protection grant: The province has recently indicated a substantial rise in the SCPG for municipalities starting in 2007, and the City will benefit from this. The 2006 City budget contains the older, smaller grant level, but the 2010 budget includes the higher sum.

In order to present a fair comparison of impacts, the "snapshots" presented here refer to 2010 costs, stated in constant 2006 dollar values. Wherever possible, 2010 budget amounts have been used in the development of the "after expansion" City budget. Most of these are included in the City's Financial Plan, though the figures for 2010 in the financial plan include inflation, so that has been taken out (at 2% per year) in order to allow the consistent use of 2006 dollar values. The CVRD 5-year financial plan also includes 2010 costs that are built into the comparison here.

The City's 2006-2010 financial plan does not build in very much in the way of extra costs to meet the needs of community growth, so it serves as a valid measure of future spending to serve the 2006 population. This also allows the use of the 2006 tax bases in the comparison.

Provincial assistance

The province has a program to assist restructured municipalities. Additional discussion needs to take place with the province if the matter proceeds past this stage, but for purposes here the

standard short-term transition grant of \$150 per expansion-area resident is assumed. This would mean a grant of \$145,500.

In addition, the province usually commits to having its contractor maintain the rural-area roads, at no cost to the municipality, for the first five years. It is estimated that this would be the equivalent of \$350,000 for the municipality over the five years (the last year of this assistance would be 2012).

Finally, the province may rebate 100% of the rural taxes from the expansion area if restructure takes place in the first half of the year, or 50% if it occurs in the last half. While this is discretionary, the province has rebated this in most of the recent restructures. The full rebate would mean \$240,000; a half rebate would mean \$120,000 for the City.

In summary, the minimum amount of provincial assistance is \$145,500; a more likely value is \$500,000 (the grant plus five years' free road maintenance); and a potential \$740,000 if the full rural tax rebate is counted.

Road upgrades and other capital spending

As part of this restructure study, the civil engineering firm of Kerr Wood Leidal Associates Ltd. prepared a brief assessment of short-term road improvements that could be needed if the City boundary is expanded (see the KWL memo in the appendix). Based on their review and discussion, it is estimated that the most immediately needed work would cost about \$133,000.

Figure 23: Expansion Area Roads Needing Immediate Work

Name	Surface type	Km needing repair	Comments	Repair
Allenby Road	Asphalt	0.60	(Kolsilah intersection repaved) Potholes and cracking and reflective cracking	Seal coating
Chaster Road	Asphalt	0.35	50% cracking and potholes / 50% GC,NM	Seal coating
Francis Street	Asphalt	0.15	Cracking and reflective cracking, some narrow parts on south end near highway	Seal coating
Koksilah Frontage Rd	Asphalt	0.10	Cracking and reflective cracking, one way street	Seal coating
Eleanor Road	Gravel/asphalt	0.05	Gravel to north of Christopher with road going around large tree, Asphalt to south (GC,NM)	Seal coating
Polkey Road	Asphalt	0.50	30% of road resurfaced, reflective cracking	Road rebuild
Hykawy Road	Asphalt	0.20	Hill has cracking and reflective cracking (first 50% of road), lower section is new	Seal coating
Blyth Road	Asphalt	0.20	Some reflective cracking at the end of road	Seal coating
Mountain View Cr.	Asphalt	0.40	Steep area on bend, cracking	Seal coating
Dogwood Road	Asphalt	0.10	South new road (GC,NM), North is narrow and need repair, cracking and relative cracking	Seal coating
Phillips Road	Asphalt	0.20	Cul de sac has new asphalt	Seal coating
Corfield Road	Gravel/asphalt	0.30	Asphalt for the first 0.1 k	Seal coating
Mission Road	Asphalt	0.15	Cracking and potholes	Seal coating

It is assumed that the short-term provincial assistance – a minimum of \$145,000, a more likely \$500,000, or even a potential \$740,000 – would be used to fund this road work, so, for the short term at least, there would be no funding gap and no borrowing would be needed. *In fact, it is likely that \$500,000 could be spent in the first few years using nothing but the provincial assistance.*

Over and above these *short term* improvements, however, work would be needed as part of a *long term* road rehabilitation budget. Based on recent City spending and on its Financial Plan, an annual allowance of \$3,300 per km of residential road has been used in the analysis. This works out to about \$43,000 per year on an ongoing basis for work on roads in the expansion area.

The table below shows the City’s capital budget. Note that much of the 2006 capital is to be funded not by taxes but by borrowing and other sources. The debt payments on the capital borrowing are included in a different line of the City budget (see following section).

The extra amounts due to boundary expansion (“Col. 3” in the table) would be funded only by taxes, and the annual budget shown further on includes this extra \$59,000. Note that the figure assumes the City would institute a limited sidewalk program for the expansion area (this would be up to City council). Modest amounts have also been included for other improvements in the expansion area (like parks).

Figure 24: Projected City of Duncan Capital Spending Before and After Restructure

	Col. 1	Col. 2*	Col. 3*	Col. 4*	
	2006 Budget	2010 in 2006 \$	Add for expansion	2010 With expansion	Comment
General government	\$31,000	\$18,477	\$3,958	\$22,435	Increase in proportion to population
Fire	\$51,900	\$27,715	\$0	\$27,715	Not affected by expansion
Roads + storm (current taxes)	\$301,000	\$278,077	\$42,900	\$320,977	Based on \$3,300 per km of resid. road
Roads - from prior surplus	\$360,000	\$0	\$0	\$0	Not affected by expansion
Sidewalks - downtown	\$0	\$27,715	\$0	\$27,715	Not affected by expansion
Sidewalks - other areas	\$15,000	\$0	\$5,000	\$5,000	Assume an extra \$5,000 per year
Sidewalks - from surplus	\$18,000	\$0	\$0	\$0	Not affected by expansion
Traffic services	\$27,600	\$27,715	\$0	\$27,715	Not affected by expansion
Traffic services - from surplus	\$77,800	\$0	\$0	\$0	Not affected by expansion
Machinery and equipment	\$41,670	\$11,086	\$2,171	\$13,257	Increase 50% in proportion to km
Garbage containers	\$5,500	\$5,543	\$0	\$5,543	Not affected by expansion
Parks and cultural - current rev	\$5,630	\$0	\$5,000	\$5,000	Allowance for rural area parks
Parks and cultural - prior surplus	\$6,245	\$0	\$0	\$0	Not affected by expansion
Total from taxes and surplus	\$941,345	\$396,330	\$59,029	\$455,359	
Total from current taxes alone	\$479,300	\$396,330	\$59,029	\$455,359	

* Stated in constant 2006 dollar values

Some numbers are rounded

Municipal spending

The following figure shows the annual City “general fund” budget (water and sewer budgets are in separate funds). As before, the table shows the actual 2006 amounts; the figures from the 2010 plan stated in future dollars; the 2010 figures stated in constant 2006 dollars; the extra due to boundary expansion; and the revised total after expansion. The “before” picture is Col.2; the “after” picture is Col. 4.

Figure 25: Projected City Spending (General Fund)

	2006 Budget	2010 Budget*	Add for expansion	2010 With expansion	Effect of boundary expansion
General gov't & administration	\$749,350	\$704,579	\$104,587	\$809,166	25% is constant; 75% varies with pop'n
Protective services					
Policing	\$0	\$570,936	\$56,512	\$627,448	Increase at 50% of City's per capita rate
Fire protection	\$284,660	\$283,380	\$0	\$283,380	Budget not affected by expansion
Building inspection	\$85,150	\$85,986	\$23,813	\$109,799	Increase in proportion to rise in parcels
Animal control	\$14,800	\$14,800	\$4,111	\$18,911	Increase in proportion to rise in parcels
Other protective	\$10,900	\$10,831	\$0	\$10,831	Budget not affected by expansion
Transportation					
Common services	\$192,814	\$194,702	\$35,152	\$229,854	Increase at 50% of per-km rate in City
Roads & streets	\$388,450	\$392,257	\$70,824	\$463,081	Increase at 50% of per-km rate in City
Street lights	\$69,300	\$69,299	\$500	\$69,799	Increase by 10 lights in E and D
Traffic services	\$99,866	\$100,845	\$3,640	\$104,485	Increase at 10% of City per-km rate
Parking	\$71,476	\$71,856	\$0	\$71,856	Budget not affected by expansion
Transit	\$44,000	\$40,649	\$8,051	\$48,700	Increase in proportion to rise in population
Environmental health					
Garbage, recycling, comfort stn	\$170,916	\$166,766	\$73,575	\$240,341	Increase in proportion to rise in homes
Environmental development					
Specially-funded work (OCP, etc)	\$146,000	\$0	\$0	\$0	Budget not affected by expansion
Regularly-funded functions	\$26,500	\$39,215	\$10,851	\$50,066	Increase in proportion to rise in parcels
Recreational & cultural					
Joint facilities	\$139,000	\$123,385	\$34,115	\$157,500	Recalculate based on revised tax base
City parks	\$296,702	\$299,614	\$17,000	\$316,614	Increase by \$17,000 for parks in D and E
Cultural buildings (including library)	\$146,997	\$146,998	\$58,261	\$205,259	Increase in proportion to tax base (library)
Fiscal services					
Debt payments	\$127,400	\$297,578	\$0	\$297,578	Budget not affected by expansion
Debt payment - expansion area roads	\$0	\$0	\$0	\$0	(not used)
Tsfr to reserves	\$160,000	\$147,815	\$19,188	\$167,003	Raise at 50% of cost per km for equip repl.
Tsfr to capital - new debt in 2006	\$1,353,000	\$0	\$0	\$0	Budget not affected by expansion
Tsfr to capital - from surplus	\$484,545	\$0	\$0	\$0	Budget not affected by expansion
Tsfr to capital - from current taxes	\$479,300	\$396,330	\$59,029	\$455,359	Mainly extra road costs
Tsfr to capital - from reserves + misc	\$941,471	\$0	\$0	\$0	Budget not affected by expansion
Tsfr to sewer fund (pcl tax)	\$42,000	\$38,802	\$0	\$38,802	Tax not affected (change is in user fee)
Transfer to BIA + revitalization	\$110,000	\$113,171	\$0	\$113,171	Budget not affected by expansion
Total spending on City services	\$6,634,597	\$4,309,794	\$579,209	\$4,889,003	
Collections for regional district	\$802,090	\$802,091	\$328,251	\$1,130,342	Based on City rate after adjustments
Collections for school, hosp, etc	\$2,041,964	\$2,041,964	\$658,444	\$2,700,408	Based on existing tax rates (not affected)
Grand total	\$9,478,651	\$7,153,849	\$1,565,904	\$8,719,753	

* Stated in constant 2006 dollar values

Some numbers are rounded

Note: 2006 total is higher than 2010 because of non-tax capital funding (borrowing, surplus and reserves) in 2006

Several points are worth noting.

- The policing cost that is shown for 2006 assumes that the 2006 Census will reveal a City population over 5,000. *While likely, this is not a certainty.* If the population is less than 5,000, the City would not be responsible for its policing and would pay only the new, much lower policing tax that the province has announced for small communities starting in 2007. The costs here are only a rough estimate and could be inaccurate. It is assumed, reasonably, that adding the expansion area to the City would not simply increase policing costs at the same per capita rate as in the current City boundary. Using the City's 5000 population in the per capita calculation fails to reflect the core role played by the City in the larger community. The effective population that triggers the need for policing is larger than just the City, so the expansion area's per capita rate would be well below the City average. In addition, there is generally (though not always) a lower need for policing in purely residential areas as opposed to downtown areas. For these reasons, the 2010 City budget allowance has been increased using 50% of the per capita rate to reflect the impacts of adding the expansion area. More

discussions are needed with the province and the RCMP to refine these estimates and assumptions, and the questions are under consideration by the parties now. It is not known when more refined estimates may be forthcoming.

- The fire protection cost would not be affected because the expansion area residents are already served by the City fire department, and this would not change.
- The road maintenance budget has been increased at 50% of the City per-km rate for the two largest components (“common services” and “roads & streets”) applied to the estimated 13 km of roads in the expansion area. This reflects the lower cost of neighbourhood roads as opposed to downtown roads; also, there would be certain economies of scale with a larger road inventory.
- Garbage and recycling costs have been increased generally in proportion to the rise in homes. This assumes that the expansion area would receive the same weekly pickup as City residents, though this is not mandatory (they now get pickup every two weeks).
- Joint recreation facilities costs have been raised to reflect a likely shift in the City’s portion of this shared service. A larger tax base should mean a larger share of the total cost.
- Community park costs are increased according to the estimates for Area D and Area E parks from CVRD staff.
- Library costs have been increased in the City budget but this is of no real impact, since the expansion area is already paying for this through the CVRD. The extra City cost is simply the expansion area cost transferred from the CVRD budget.
- Transfers to reserves – mainly for road equipment and machinery – have been increased at 50% of the current City rate per km.
- The extra budget for capital spending using current taxes is as described earlier in this chapter.

Municipal revenues

The next figure shows the annual City revenues for the general fund. The property tax revenues are defined as the difference between all the known, non-tax revenues and the total spending. This ensures the books balance.

Several points are worth noting.

- Fire protection revenues would fall, since expansion area properties would pay for this service directly through their City property taxes. Under the current system, they pay the CVRD and the CVRD then forwards this to the City, where it shows up as a “sale of service” revenue.
- Garbage and recycling revenues are increased generally in proportion to the number of homes. *This assumes that the expansion area would receive the same weekly pickup as City residents, though this is not required.* Less frequent collection, like the expansion area has now, would be possible and would need a lower user fee, and thus lower both the City revenues and costs).
- The newly announced, higher provincial grant – the Small Communities Grant – has been factored into the analysis for 2010. Boundary expansion could lower the size of the grant by pushing the City past the 5000 population (beyond 5000 the grant begins to decline).

Figure 26: Projected City Revenues (General Fund)

	2006 Budget	2010 Financial Future \$	2010 Budget*	Add for expansion*	2010 With expansion*	Effect of boundary expansion
Taxation						
General tax	\$2,276,795	\$2,910,622	\$2,688,966	\$545,919	\$3,234,885	Set as needed to balance the books
General utilities (s.353)	\$86,791	\$93,946	\$86,791	\$17,167	\$103,958	Increase in proportion to population
Special assessments (BIA)	\$110,000	\$122,500	\$113,171	\$0	\$113,171	No change
Downtown revitalization levy	\$0	\$33,208	\$30,679	\$0	\$30,679	No change
Sewer parcel taxes	\$42,000	\$42,000	\$38,802	\$0	\$38,802	No change
Grants in lieu of taxes	\$13,500	\$17,514	\$16,180	\$0	\$16,180	Assume no change due to restructure
Sale of service						
Garbage + recycling	\$179,700	\$179,700	\$166,015	\$73,324	\$239,339	Increase in proportion to no. of homes
Fire protection agreements	\$190,000	\$207,678	\$191,862	-\$91,468	\$100,394	Reduce in proportion to tax base change
Others	\$37,100	\$39,210	\$36,224	\$0	\$36,224	Assume no change due to restructure
Other rev from own sources						
Licences and permits	\$99,472	\$104,665	\$96,694	\$26,783	\$123,477	Increase in proportion to no. of parcels
Fines (parking)	\$12,000	\$12,000	\$11,086	\$0	\$11,086	No change
Rentals	\$97,292	\$100,613	\$92,951	\$0	\$92,951	No change
Return on investments	\$37,000	\$37,000	\$34,182	\$0	\$34,182	Assume no change due to restructure
Tax penalties & interest	\$41,455	\$41,455	\$38,298	\$10,599	\$48,897	Increase in proportion to no. of parcels
Others (equip charges, misc)	\$122,555	\$133,778	\$123,590	\$12,359	\$135,949	Assume slight rise due to restructure
Transfers from other gov'ts						
Unconditional - province^	\$297,000	\$495,000	\$457,303	-\$15,474	\$441,829	Use newly-announced SCG funding level
Conditional (New Deal funding)	\$175,921	\$75,771	\$70,000	\$0	\$70,000	Assume no change due to restructure
Conditional transfers						
Dist of N. Cowichan transit	\$17,000	\$18,402	\$17,000	\$0	\$17,000	No change
Borrowing (capital - roads)	\$1,353,000	\$0	\$0	\$0	\$0	Assume no change due to restructure
Tsfr from surplus - for capital	\$484,545	\$0	\$0	\$0	\$0	Assume no change due to restructure
Tsfr from reserves - for capital	\$652,716	\$0	\$0	\$0	\$0	Assume no change due to restructure
Tsfr from GST reserve (for debt pmt)	\$58,755	\$0	\$0	\$0	\$0	Assume no change due to restructure
Tsfr from reserves	\$250,000	\$0	\$0	\$0	\$0	Assume no change due to restructure
Total revenue for City use	\$6,634,597	\$4,665,062	\$4,309,794	\$579,209	\$4,889,003	
Collections for regional district	\$802,090	\$868,209	\$802,091	\$328,251	\$1,130,342	Based on City rate after adjustments
Collections for school, hosp, etc	\$2,041,964	\$2,210,287	\$2,041,964	\$658,444	\$2,700,408	Based on existing tax rates (not affected)
Grand total	\$9,478,651	\$7,743,558	\$7,153,849	\$1,565,904	\$8,719,753	

* In constant 2006 dollars

^ Small communities grant for 2010 has been raised to reflect new levels

Note: 2006 total is higher than 2010 because of non-tax capital funding (borrowing, surplus and reserves) in 2006

In summary, almost all of the rise in annual City spending by 2010 (\$520,000) would have to be funded by extra taxes. However, the City's tax base would rise too, so the 20% rise in total tax revenues doesn't translate into a 20% rise in the City's tax rate. Tax rates and tax impacts are discussed in the next chapter.

The residential tax rate needed to generate the total tax revenues above are shown in the next table. The circled rates will be used to determine the overall tax impacts of restructuring.

Figure 27: Projected Residential Tax Rates for the Impact Analysis

	Without expansion of City boundaries:		With expansion
	2006	2010	2010
Tax rate for City services:			
(A) Total required tax revenues	\$2,276,795	\$2,688,966	\$3,234,885
(B) Weighted City tax base (\$000s)	\$627,660	\$627,660	\$884,858
(C) City's residential tax rate (A ÷ B)	\$3.627	\$4.284	\$3.656
City tax rate for CVRC services:			
(A) City's tax bill from the CVRD	\$802,090	\$802,090	\$1,130,342
(B) Weighted tax base (\$000s)	\$546,593	\$546,593	\$763,229
(C) City's tax rate for CVRD (A ÷ B)	\$1.468	\$1.468	\$1.481

The circled rates will be used in the "before-and-after" comparison of taxes

Water, sewer and garbage

The preceding section deals with the City's general fund, which makes up the bulk of the tax load, but there are also charges for water and sewer (the charges for garbage collection and recycling are included in the general fund). While technically these are user fees and not taxes, this distinction has little meaning for taxpayers.

Garbage

City homes receive garbage collection once a week (and recycling collection every two weeks) and pay \$148 annually for this. Homes in Area D and E receive less frequent garbage collection (every two weeks) and pay about \$83 annually for this – or \$65 less than in the City. Most municipalities have one collection frequency and one charge for all homes rather than two different schedules.

Assuming a single system after restructure, the City's financial plan would see an annual fee of \$137 by 2010 (stated in constant 2006 dollars). This would mean an increase for Area D and E homes – though they would receive better service.

Note: It would be possible to keep two separate schedules in place after boundary extension. This would allow Area D and Area E homes to continue to pay less than a City home.

Water

The City's water costs would not be affected in a meaningful way because the City already provides water to almost all expansion area residents. The user fees would change slightly because the current dual-fee system (one fee for City users, another for the expansion area users) would be replaced by a single-fee system. Expansion area homes would pay a bit less than now.

As shown in the next table, expansion area homes would see a reduction in their water charge due to restructure, while City homes would see a rise. The circled numbers in the table will be used in the impact analysis in the next chapter. The detailed water budgets are shown in the appendix.

Figure 28: Projected Water Charges Before and After Restructure

	Without expansion		2010 With expansion*
	2006 Budget	2010 Budget*	
Home in the City of Duncan	\$128	\$137	\$143 up \$6
Home in the expansion area	\$166	\$178	\$143 down \$35

* Stated in constant 2006 dollar values

The circled numbers will be used in the “before-and-after” comparison of taxes

Sewer

Sewer is more complicated than water because there are two distinct service areas: The City and most of the expansion area (the area south of Glenora Road lies outside the sewer area and thus sewer charges would not apply to them). The City, North Cowichan, CVRD, and Cowichan Tribes share the treatment and disposal facilities through the Joint Utility Board operated by the City and North Cowichan. The local collection systems, however, are operated and funded separately.

- Homes in the City pay a parcel tax of \$20 and annual user fees of \$147, for a total of \$167.
- Homes in the expansion area pay a user fee of \$173 but no parcel tax.

Boundary restructure would see responsibility for the Eagle Heights sewer system shift from the CVRD to the City, though it could still be funded as its own system, separate from the City’s. The City would operate and administer the system instead of the CVRD. The City could operate it either as part of a blended, overall City system, or as a separate local service area with its own charges. The province could set out the requirements for this when it changes the City’s letters patent as part of restructuring. *A blended, single-rate system is assumed here.*

Without boundary extension: Both the City and the CVRD have prepared forward-looking budgets for their sewer systems and these can be used to estimate the 2010 charges if the restructure does not occur.

- An analysis of the City’s Financial Plan shows that by 2010 the combined sewer tax and user fee on a home could be \$178 (again, stated in 2006 dollars). This is \$12 more than the actual 2006 charges.
- An analysis of the CVRD financial plan for Eagle Heights shows that the user fee could rise to \$202 by 2010 (stated in constant 2006 dollars). This is \$29 higher than now.

With boundary extension: If the operating costs of two sewer areas were to be amalgamated into one funding unit, the 2010 user fee for a home is estimated at \$164. Under this scenario, expansion area homes would see a fall and City properties would see a rise in the 2010 sewer charges:

- City homes would pay \$5 more due to restructure (from \$178 for the combined parcel tax and user fee to \$183 for the combined charges). This is made up of the \$164 user fee and the \$19 parcel tax. Only City homes would pay the parcel tax, not expansion area homes.
- Eagle Heights residents would *save* \$38 per home (from \$202 without restructure to \$164 following restructure), and *they could still retain their \$800,000 surplus*. This assumes the current City parcel tax would not apply in the expansion area (this can be arranged).

The figure below summarizes the sewer charges that will be incorporated into the impacts in the next chapter (refer to the circled figures in the table). Note that the detailed sewer budget and user fee projections are presented in the appendix.

Figure 29: Summary of 2010 Sewer Charge Projections

	Without expansion		2010 With expansion*
	2006 Budget	2010 Budget*	
Home in the City of Duncan			
- Parcel tax	\$20	\$19	\$19
- Annual user fees	\$147	\$159	\$164
- Total charges on a home	\$167	\$178	\$183
			up \$5
Home in the expansion area			
- Parcel tax	\$0	\$0	0
- Annual user fees	\$173	\$202	\$164
- Total charges on a home	\$173	\$202	\$164
			down \$38

* in constant 2006 dollars

The circled numbers will be used in the "before-and-after" comparison of taxes

5. Property Tax Impacts

Introduction

This chapter brings together the various property tax projections from the preceding chapters and uses them to determine the overall tax impacts on sample properties. As discussed earlier, the tax impacts are based on 2010 budget projections, stated in constant 2006 dollar values.

Tax impact mitigation

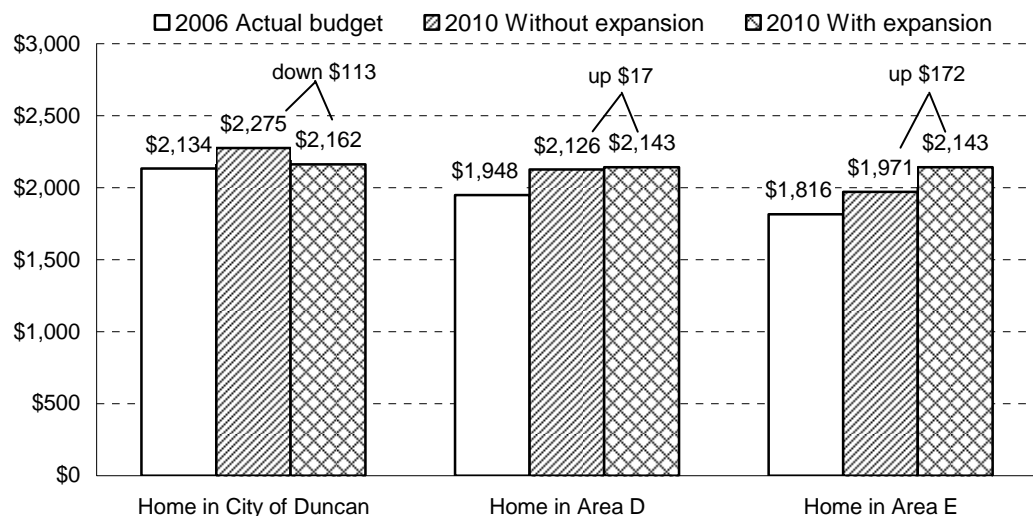
The tax impacts in this chapter represent a “worst case” scenario in the sense that they assume no corrective steps are taken to reduce the taxes on expansion area homes. However, a variety of mitigation steps *can* be taken. They are addressed in the chapter following this. It would be wrong to assume these tax changes are inevitable. Policies to reduce them are available.

Property tax impacts on a home

The following figure summarizes the impacts of boundary restructure on a \$200,000 home in each of the three separate areas (the City, Area D, and Area E). The home owner grant has not been factored in; as the average home is already using up the full grant, it does not play a role in the comparison.

Also note that taxes vary with assessed property value. More expensive properties pay higher taxes and less expensive properties pay lower taxes, so the impact of boundary expansion depends not only on where you live but also on your property assessment.

Figure 30: Summary of Property Charges on a \$200,000 Home (before tax mitigation)



All figures stated in constant 2006 dollars

A more detailed look at how these figures are developed is presented in the following three pages (one for each area).

Figure 31: Tax Impacts on a \$200,000 Home in the City

Tax rates (\$ per 1000)	2006 Actual budget	2010 Without expansion	2010 With expansion
City of Duncan general tax	\$3.627	\$4.284	\$3.656
Provincial rural tax	--	--	--
Provincial policing tax (2007)	--	<i>in City tax</i>	<i>in City tax</i>
Regional district - local	<i>in City tax</i>	<i>in City tax</i>	<i>in City tax</i>
Regional district- shared	\$1.468	\$1.468	\$1.481
School, hospital, others	\$3.365	\$3.365	\$3.365
Total asmnt-based rate	\$8.460	\$9.117	\$8.502
<i>Change due to boundary restructure</i>			<i>down 7%</i>

Tax bill on a home	2006 Actual budget	2010 Without expansion	2010 With expansion
City of Duncan general tax	\$725	\$857	\$731
Provincial rural tax	--	--	--
Provincial policing tax (2007)	--	<i>in City tax</i>	<i>in City tax</i>
Regional distr. local services	--	--	--
Regional distr. shared services	\$294	\$294	\$296
School, hospital, others	\$672	\$672	\$672
Total asmnt-based taxes	\$1,691	\$1,823	\$1,699
Utility services:			
Water user fee per home	\$128	\$137	\$143
Sewer user fee per home	\$147	\$159	\$164
Sewer parcel tax per home	\$20	\$19	\$19
Garbage / recycling fee	\$148	\$137	\$137
Total property charges	\$2,134	\$2,275	\$2,162
<i>Change due to boundary restructure</i>			<i>down \$113</i>

All figures stated in constant 2006 dollar values

Figure 32: Summary of Impacts on a \$200,000 Home in the City

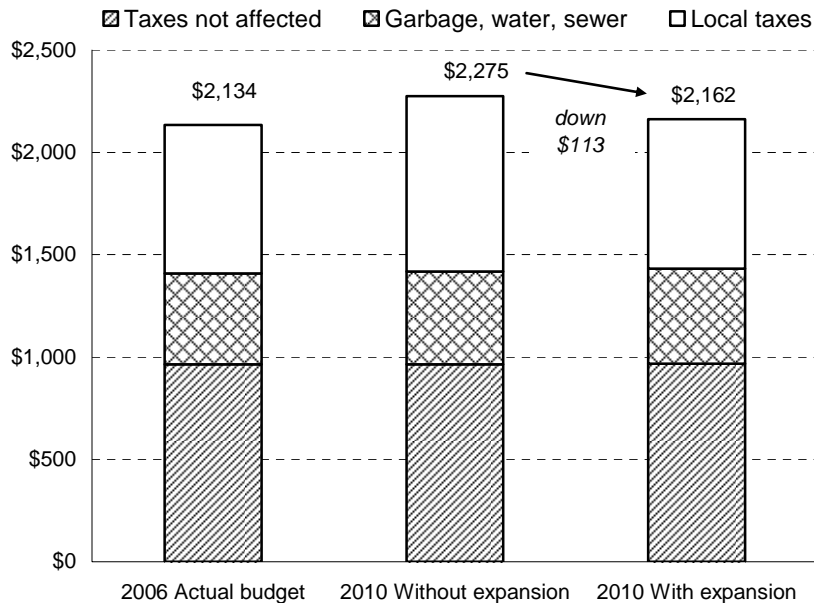


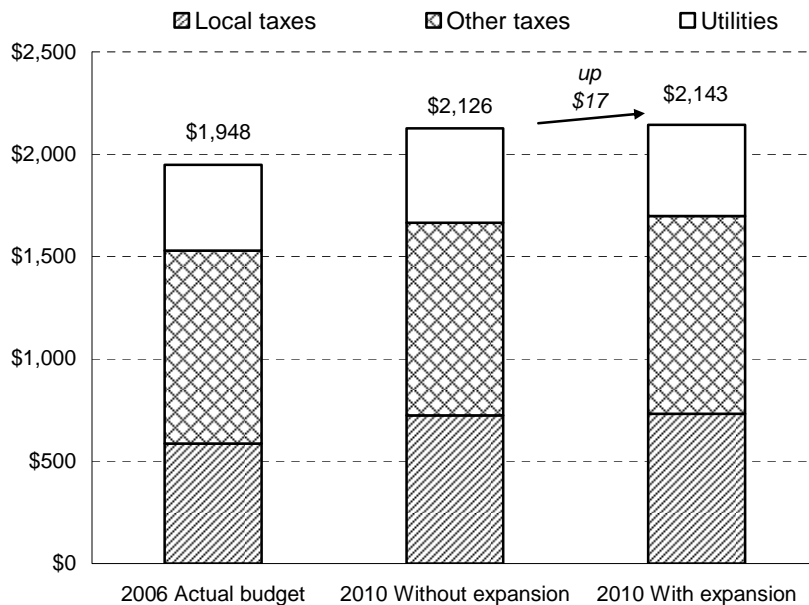
Figure 33: Tax Impacts on a \$200,000 Home in Area D (before mitigation)

Tax rates (\$ per 1000)	2006 Actual budget	2010 Without expansion	2010 With expansion
City of Duncan general tax	--	--	\$3.656
Provincial rural tax	\$0.700	\$0.700	--
Provincial policing tax (2007)	--	\$0.349	<i>in City tax</i>
Regional district - fire protection	\$0.677	\$0.677	<i>in City tax</i>
Regional district - other local serv.	\$1.554	\$1.889	<i>in City tax</i>
Regional district- shared services	\$1.354	\$1.354	\$1.481
School, hospital, others	\$3.365	\$3.365	\$3.365
Total asmnt-based rate	\$7.650	\$8.334	\$8.502
<i>Change due to boundary restructure</i>			<i>Up 2%</i>

Tax bill on a home	2006 Actual budget	2010 Without expansion	2010 With expansion
City of Duncan general tax	--	--	\$731
Provincial rural tax	\$140	\$140	--
Provincial policing tax (2007)	--	\$70	<i>in City tax</i>
Regional district - fire protection	\$135	\$135	<i>in City tax</i>
Regional district - other local serv.	\$311	\$378	<i>in City tax</i>
Regional district- shared services	\$271	\$271	\$296
School, hospital, others	\$672	\$672	\$672
Total asmnt-based taxes	\$1,529	\$1,666	\$1,699
Utility services:			
Water user fee per home	\$166	\$178	\$143
Sewer user fee per home	\$173	\$202	\$164
Sewer parcel tax per home	\$0	\$0	\$0
Garbage / recycling fee	\$80	\$80	\$137
Total property charges	\$1,948	\$2,126	\$2,143
<i>Change due to boundary restructure</i>			<i>up \$17</i>

All figures stated in constant 2006 dollar values

Figure 34: Summary of Impacts on a Home in Area D (before mitigation)



Note: Assumes no mitigation steps are taken to reduce the tax burden (steps are available)

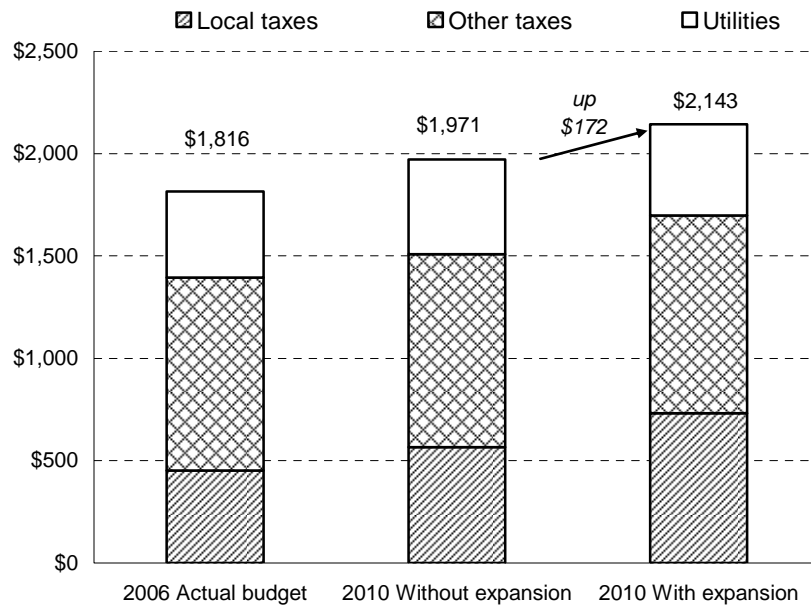
Figure 35: Tax Impacts on a \$200,000 Home in Area E (before mitigation)

Tax rates (\$ per 1000)	2006 Actual budget	2010 Without expansion	2010 With expansion
City of Duncan general tax	--	--	\$3.656
Provincial rural tax	\$0.700	\$0.700	--
Provincial policing tax (2007)	--	\$0.377	<i>in City tax</i>
Regional district - fire protection	\$0.677	\$0.677	<i>in City tax</i>
Regional district - other local serv.	\$0.887	\$1.078	<i>in City tax</i>
Regional district- shared services	\$1.349	\$1.349	\$1.481
School, hospital, others	\$3.365	\$3.365	\$3.365
Total asmnt-based rate	\$6.978	\$7.546	\$8.502
<i>Change due to boundary restructure</i>			<i>Up 13%</i>

Tax bill on a home	2006 Actual budget	2010 Without expansion	2010 With expansion
City of Duncan general tax	--	--	\$731
Provincial rural tax	\$140	\$140	--
Provincial policing tax	--	\$75	<i>in City tax</i>
Regional district - fire protection	\$135	\$135	<i>in City tax</i>
Regional district - other local serv.	\$177	\$216	<i>in City tax</i>
Regional district- shared services	\$270	\$270	\$296
School, hospital, others	\$672	\$672	\$672
Total asmnt-based taxes	\$1,394	\$1,508	\$1,699
Utility services:			
Water user fee per home	\$166	\$178	\$143
Sewer user fee per home	\$173	\$202	\$164
Sewer parcel tax per home	\$0	\$0	\$0
Garbage / recycling fee	\$83	\$83	\$137
Total property charges	\$1,816	\$1,971	\$2,143
<i>Change due to boundary restructure</i>			<i>up \$172</i>

All figures stated in constant 2006 dollar values

Figure 36: Summary of Impacts on a \$200,000 Home in Area E (before mitigation)

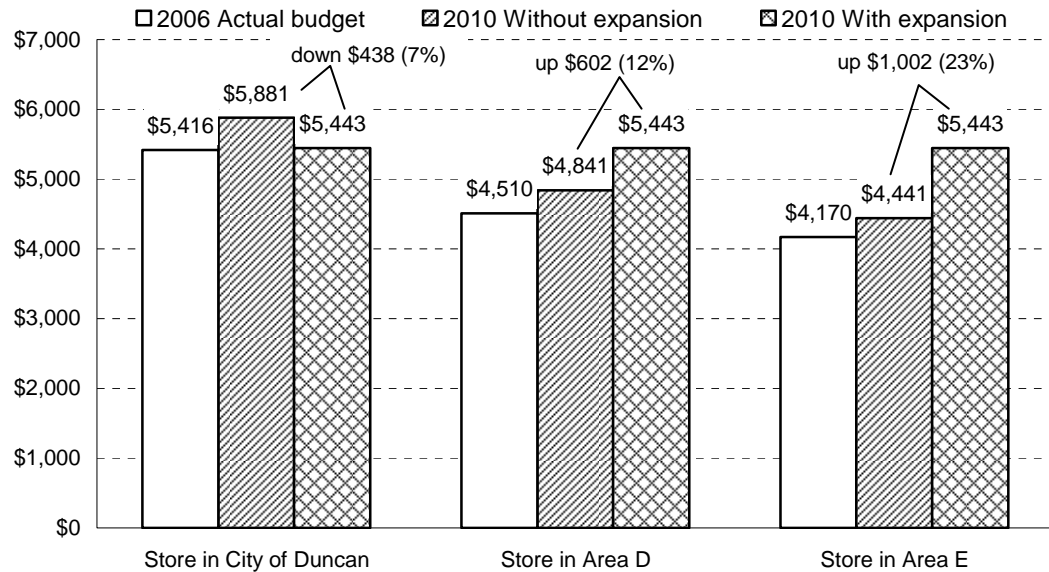


Note: Assumes no mitigation steps are taken to reduce the tax burden (steps are available)

Property tax impacts on a store

As with homes, the tax impacts of restructuring depend on where your business is located and on its assessed property value. The figures used here are based on a \$200,000 property assessment, though there is considerable variation in property assessments from business to business. Note: Business here is defined as Assessment Class 6 (as opposed to Class 5, which is light industry). Water, sewer and garbage charges are excluded here because they vary so much depending on the type of business. Note that water and sewer charges would generally change proportionately the same for businesses as for homes. *The City's \$100 business licence has been included below.*

Figure 37: Summary of Tax Impacts on a \$200,000 Store (before mitigation)



Note: Assumes no steps are taken to reduce the tax burden (steps are available)

Figure 38: Tax Impacts on a \$200,000 Store in the City

Tax rates (\$ per 1000)	2006 Actual budget	2010 Without expansion	2010 With expansion
City of Duncan	\$12.8410	\$15.1650	\$12.9420
Provincial rural tax	--	--	--
Provincial policing tax (2007)	--	<i>in City tax</i>	<i>in City tax</i>
Regional district - local	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Regional district- shared	\$3.5966	\$3.5966	\$3.6285
School, hospital, others	\$10.1425	\$10.1425	\$10.1425
Total assessment-based rate	\$26.5801	\$28.9041	\$26.7130
<i>Change due to boundary restructure</i>			<i>down 8%</i>

Tax bill on a store	2006 Actual budget	2010 Without expansion	2010 With expansion
City of Duncan	\$2,568	\$3,033	\$2,588
Provincial rural tax	--	--	--
Provincial policing tax (2007)	--	<i>in City tax</i>	<i>in City tax</i>
Regional distr. local services	--	--	--
Regional distr. shared services	\$719	\$719	\$726
School, hospital, others	\$2,029	\$2,029	\$2,029
Total assessment-based taxes	\$5,316	\$5,781	\$5,343
Business licence	\$100	\$100	\$100
Total including business licence	\$5,416	\$5,881	\$5,443
<i>Change due to boundary restructure</i>			<i>down \$438</i>

In constant 2006 dollars Excludes water, sewer and garbage, which vary

Figure 39: Tax Impacts on a \$200,000 Store in Area D (before mitigation)

Tax rates (\$ per 1000)	2006 Actual budget	2010 Without expansion	2010 With expansion
City of Duncan	--	--	\$12.942
Provincial rural tax	\$3.6000	\$3.6000	--
Provincial policing tax (2007)	--	\$0.8551	<i>in City tax</i>
Regional district - fire protection	\$1.6587	\$1.6587	<i>in City tax</i>
Regional district - local services	\$3.8073	\$4.6281	<i>in City tax</i>
Regional district- shared services	\$3.3173	\$3.3173	\$3.6285
School, hospital, others	\$10.1425	\$10.1425	\$10.1425
Total assessment-based rate	\$22.5258	\$24.2017	\$26.7130
<i>Change due to boundary restructure</i>			<i>Up 10%</i>

Tax bill on a store	2006 Actual budget	2010 Without expansion	2010 With expansion
City of Duncan	--	--	\$2,588
Provincial rural tax	\$720	\$720	--
Provincial policing tax (2007)	--	\$171	<i>in City tax</i>
Regional district - fire protection	\$332	\$332	<i>in City tax</i>
Regional district - local services	\$766	\$926	<i>in City tax</i>
Regional district- shared services	\$663	\$663	\$726
School, hospital, others	\$2,029	\$2,029	\$2,029
Total assessment-based taxes	\$4,510	\$4,841	\$5,343
Business licence	\$0	\$0	\$100
Total including business licence	\$4,510	\$4,841	\$5,443
<i>Change due to boundary restructure</i>			<i>up \$602</i>

In constant 2006 dollars Excludes water, sewer and garbage, which vary

Note: Assumes no steps are taken to reduce the tax burden (steps are available)

Figure 40: Tax Impacts on a \$200,000 Store in Area E (before mitigation)

Tax rates (\$ per 1000)	2006 Actual budget	2010 Without expansion	2010 With expansion
City of Duncan	--	--	\$12.942
Provincial rural tax	\$3.6000	\$3.6000	--
Provincial policing tax (2007)	--	\$0.8551	<i>in City tax</i>
Regional district - fire protection	\$1.6587	\$1.6587	<i>in City tax</i>
Regional district - local services	\$2.1732	\$2.6411	<i>in City tax</i>
Regional district- shared services	\$3.3051	\$3.3051	\$3.6285
School, hospital, others	\$10.1425	\$10.1425	\$10.1425
Total assessment-based rate	\$20.8795	\$22.2025	\$26.7130
<i>Change due to boundary restructure</i>			<i>Up 20%</i>

Tax bill on a store	2006 Actual budget	2010 Without expansion	2010 With expansion
City of Duncan	--	--	\$2,588
Provincial rural tax	\$720	\$720	--
Provincial policing tax	--	\$171	<i>in City tax</i>
Regional district - fire protection	\$332	\$332	<i>in City tax</i>
Regional district - local services	\$428	\$528	<i>in City tax</i>
Regional district- shared services	\$661	\$661	\$726
School, hospital, others	\$2,029	\$2,029	\$2,029
Total assessment-based taxes	\$4,170	\$4,441	\$5,343
Business licence	\$0	\$0	\$100
Total including business licence	\$4,170	\$4,441	\$5,443
<i>Change due to boundary restructure</i>			<i>up \$1,002</i>

In constant 2006 dollars Excludes water, sewer and garbage, which vary

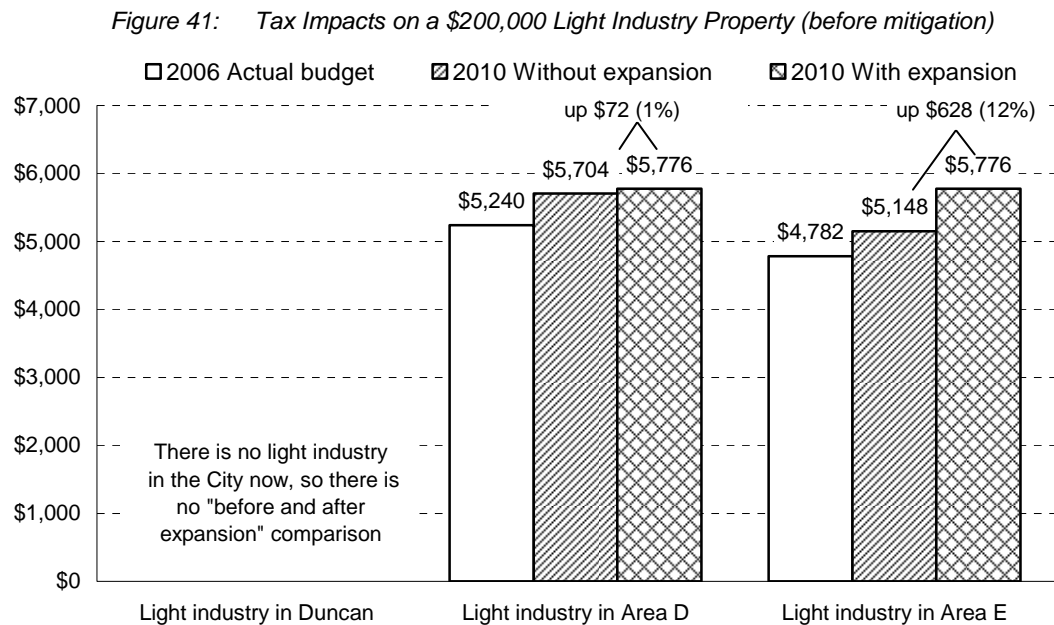
Note: Assumes no mitigation steps are taken to reduce the tax burden (steps are available)

Property tax impacts on light industry

Stores and offices are Assessment Class 6 (“Business”), but light industry is Assessment Class 5. Class 5 and Class 6 pay different tax rates. The figures below show the impacts on a \$200,000 light industry property. As with Class 6, there is a wide range of property values for Class 5 (most are higher than \$200,000), but keeping with the \$200,000 sample allows a comparison with home and business impacts. *The City’s \$100 business licence fee is included in the figures below.*

The City of Duncan does not have a tax rate for light industry because there are no such properties in the City. For purposes here it is assumed that the City would use the same tax rate multiple for light industry that it does for business – 3.54 – though this would be up to City council. This is very close to the 3.4 ratio used by all regional districts.

Because the City does not have any light industry now, there is no “with and without expansion” comparison. However, the figure below shows the impact on a sample \$200,000 light industry property in both Area D and Area E.



Note: Assumes no mitigation steps are taken to reduce the tax burden (steps are available)

Property tax impacts on a farm

There are farm properties in the study area – mainly south of Glenora Road, in Area E. “Farm” here refers to property formally designated as Assessment Class 9 (as opposed to homes, which are Class 1). If Class 9 farm land has a house on it, the building is usually classified as Class 1.

The impacts on farm homes would be worse than the impacts on regular homes. This is because under the current system, the farm *house* (not land) is exempt from the provincial rural tax, but provincial regulations end this exemption in a municipality. For a *regular* home, the “before” tax snapshot includes the rural tax (\$0.70 per 1000) but for a *farm* house the “before” snapshot excludes the rural tax.

This exemption applies to the farm *house*, not the land it sits on. Farm land pays the rural tax under the electoral area system. Farm land property assessments are quite low compared to regular homes, and the tax impacts on farm *land* are relatively minor. Farm land assessments vary but a typical parcel has an assessed value of \$20,000. Such a parcel (land only) would face a tax rise of around \$40 due to boundary expansion. The City could eliminate this rise by lowering its tax rate on farm land to the rural rate (\$0.50 per \$1000) without any meaningful change to other tax rates.

A farm home (that is, Class 9 farm land and Class 1 house) would be hit harder than a regular home because of the lost exemption on the house. The figure below shows the change for a farm home.

Figure 42: Tax Impacts on a Farm Home in Area E (before mitigation)

	Without expansion		Part of City
	2006 Actual	2010 Projected*	2010 Projected*
City of Duncan	--	--	\$439
Provincial rural tax	\$10	\$10	--
Provincial policing tax (2007)	--	\$42	--
Regional district - fire protection	\$75	\$75	--
Regional district - local services	\$98	\$119	--
Regional district- shared services	\$148	\$148	\$163
School, hospital, others	\$409	\$409	\$409
Total asmnt-based rate	\$740	\$803	\$1,011
<i>Change due to boundary restructure</i>			<i>Up \$208</i>

* Stated in constant 2006 dollars Combined taxes on house and land
Based on land at \$20,000 and house at \$100,000 assessment

Note: Assumes no mitigation steps are taken to reduce the tax burden (steps are available)

6. What If ...

Introduction

The tax impacts presented in the preceding chapter assume no mitigation or special considerations for taxes in Areas D and E, but there could be various ways to soften or even eliminate the impacts for electoral area properties. Some of these are presented in this chapter.

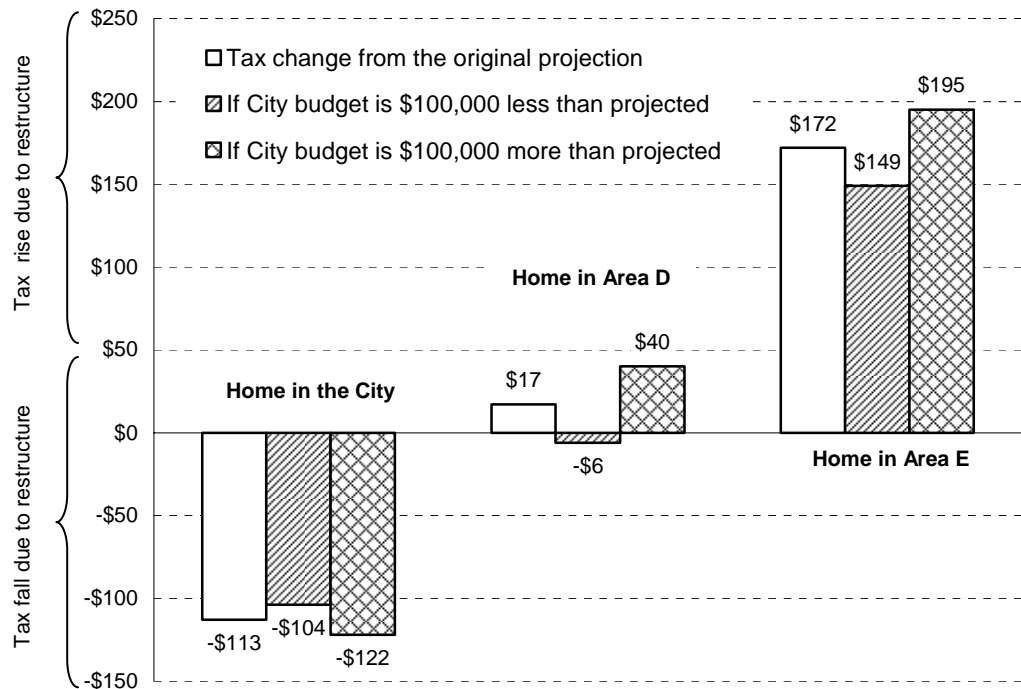
In addition, the tax impacts are based on various assumptions, and of course some of these may not come to pass. This chapter also shows the effects of altering some of the assumptions.

Lower or higher budgets

What would happen if the 2010 City budget turned out to be lower or higher than assumed? It turns out that every \$100,000 in City spending would mean a \$23 change in taxes on a home in Area D and Area E, and \$9 on a home in the City. The impact on a City home is a bit different because it would face the \$100,000 change whether or not restructuring takes place, but electoral area homes would see a change only in the “after restructure” case.

Thus, if the 2010 City budget is \$100,000 higher than assumed, the tax rise for an Area E home would be \$23 worse than presented earlier. Conversely, if the budget is \$100,000 lower than projected, the tax on an Area D or Area E home would be \$23 better than presented earlier.

Figure 43: Tax Impacts of a \$100,000 Change in City Spending (before mitigation)

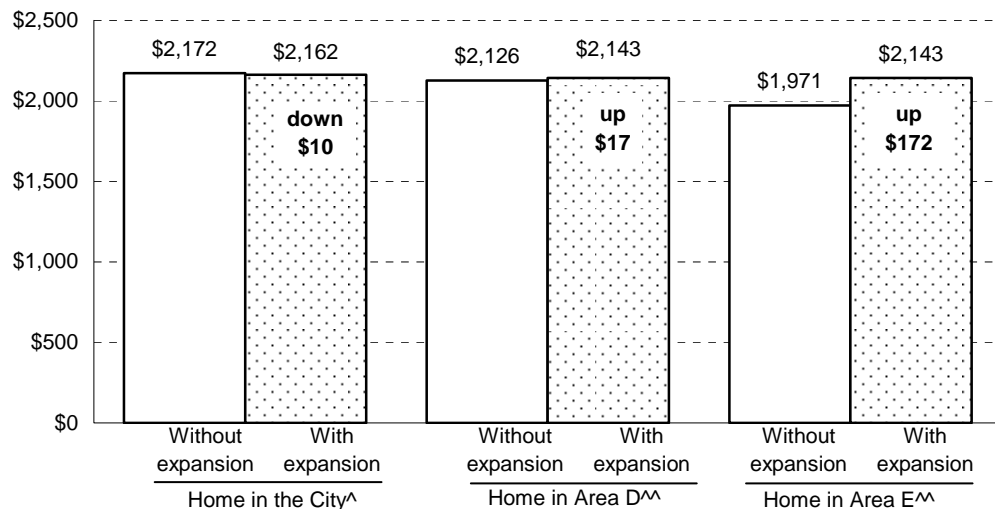


Policing costs

The 2010 City budget includes about \$600,000 for policing. This assumes the City will be revealed to have a population of over 5000 by the recent 2006 Census. While this is likely, it is not certain. What would happen to the taxes if the Census shows *under* 5000 people? This would not affect the “before” case for an *electoral area* home, but it would affect the City’s “before” tax level. Instead of the higher costs of a municipal detachment, the City would only have to pay the lower small-community policing tax to be introduced by the province in 2007. This means that restructuring by itself would trigger the higher City tax for policing. (*Note: In this case, the City would not have to face policing costs until 2012, because it would take the 2011 Census to reveal a municipal population over 5000.*)

There would be no extra impact on expansion area homes. Just like before, their tax pictures would include the provincial policing tax in the “before” snapshot and the “with police cost” City tax in the “after” picture. It would, however, affect the impacts for the City, since taxes would be lower than assumed for the “before” case but the same as assumed for the “after” case. As shown below, the City’s gain from restructuring would be much lower than originally assumed, because boundary expansion would trigger higher policing costs for the City. Taxes for Area D and Area E homes would not be affected by this changed assumption because their “before” taxes don’t include the high RCMP cost in the first place.

Figure 44: Taxes If the City’s 2006 Census Population is Below 5000 (before mitigation)



In constant 2006 dollars; based on a home assessed at \$200,000 (taxes vary with assessed value)
[^] Extra policing cost is in both “with” and “without” expansion ^{^^} Extra policing cost is in “with expansion”
Note: If the 2006 Census shows Duncan has under 5000, the police cost triggered by boundary expansion wouldn’t occur until 2012.

But what if, instead, not only does the 2006 Census reveal a City population of over 5000 (and thus the “before” case must include a municipal detachment) but the costs turn out to be higher than assumed? What if the policing cost is closer to \$800,000, not \$600,000? This would raise the “without expansion” City rate more than assumed. It would also raise the “with expansion” cost but the extra cost would be shared across the now-expanded tax base (remember that the City

would have to pay the increased costs all on its own without restructure but can share it if restructure occurs).

- For a City home: The tax *savings* would improve by \$14 (what was a \$113 savings becomes a \$127 saving). Both the “before” and “after” taxes would rise, but the “after” wouldn’t rise as much as the “before”.
- For an expansion area home: The tax rises would be \$50 worse than assumed (for an Area E home, the \$172 tax rise would swell to about \$222). The “before” tax isn’t affected but the “after” tax would rise.

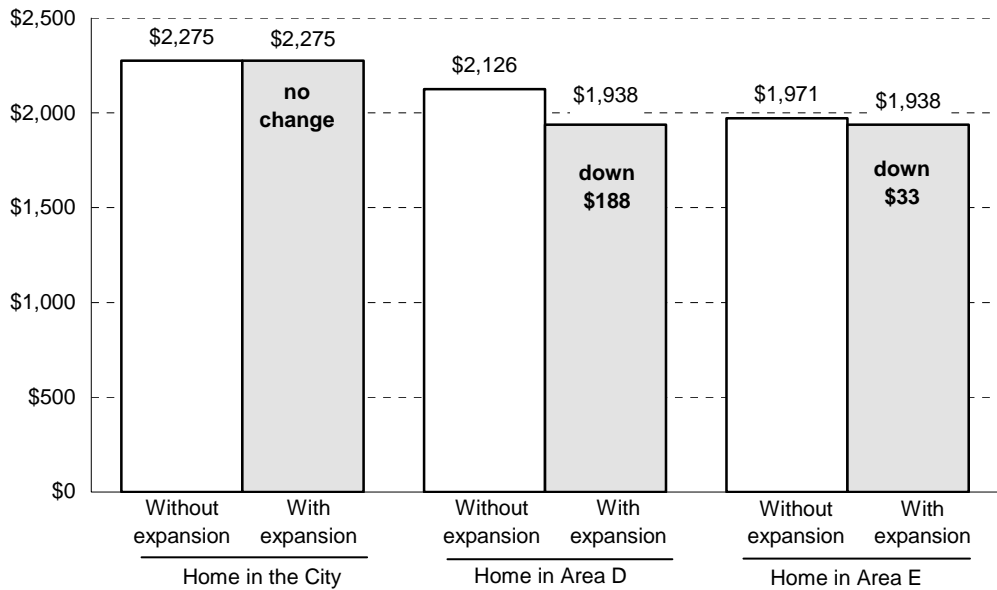
City taxes held constant (City sees no gain)

What would happen to taxes in the expansion area if the City used two different tax levels – one for the current City boundary, and a lower one for the expansion area? Suppose that the rate for the City is set so that a City home would see no change at all due to restructuring – that is, the total 2010 tax bill after restructure is held at the same level as the 2010 bill without restructure. Any overall savings due to boundary expansion would be passed on to expansion area properties, not to the City.

Such a policy would actually produce *lower* taxes for the expansion area than the projected rural system taxes, especially for Area D (assuming one rate is applied to both rural areas). In other words, this policy would mean a tax reduction for homes in the expansion area compared to staying under the rural system.

Note: It may be difficult to see the rationale for such a policy if it is a permanent one. Expansion area residents would pay less and receive more, but City residents see no benefit at all.

Figure 45: Tax Impacts of Holding City Taxes at Their “Without Restructure” Levels



2010 Taxes in 2006 dollars; based on a home assessed at \$200,000 (taxes vary with assessed value)

Electoral area taxes held constant (Eagle Heights sees no gain or loss)

What would happen if the City's tax system was arranged so that Eagle Heights homes saw no change due to joining the City? This scenario would have two different tax areas – one for the existing City boundary and another, lower one for the expansion area.

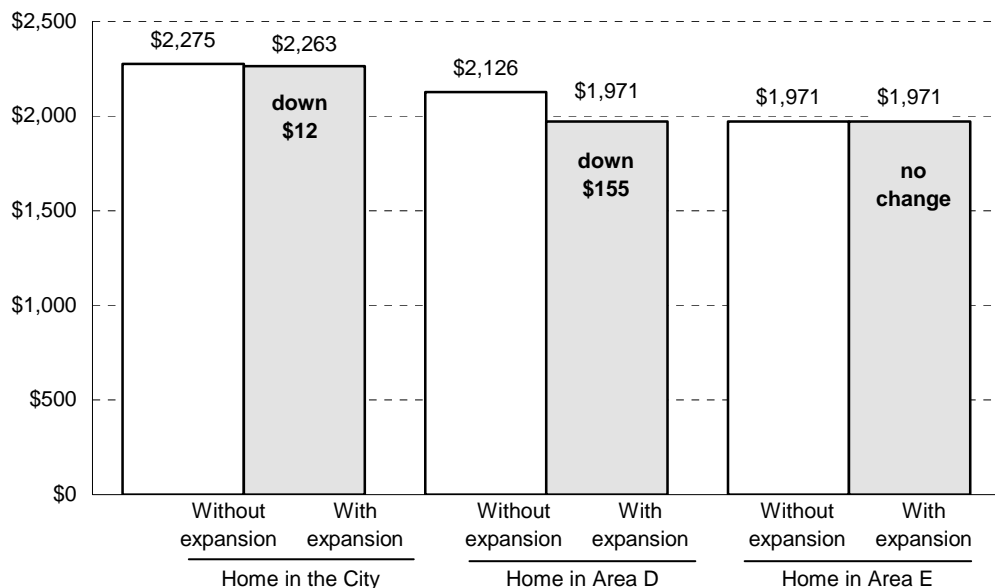
While Area E properties might not benefit or lose, Area D properties would benefit. This scenario assumes that the second tax area covers both Area D and Area E properties (if not, there would have to be *three* different tax areas, and this gets more complicated to administer). Because taxes are currently higher in Area D than Area E, holding Area E taxes constant for both areas means a *tax savings for Area D*. The existing City taxpayers would still see a benefit, but not as large as originally assumed, because expansion area properties would not be paying the full City tax rate.

Note: It could be difficult for some to accept this as a permanent feature, since it would create two distinct classes of taxpayers. It could be difficult to implement future City-wide service changes when only one group's taxes would be affected.

Figure 46: Tax Impacts of Holding Area E Taxes at Rural Levels After Restructure

	Home in the City		Home in Area D		Home in Area E	
	Without expansion	With expansion	Without expansion	With expansion	Without expansion	With expansion
City general tax	\$857	\$832	--	\$559	--	\$559
Provincial rural tax	--	--	\$140	--	\$140	--
Policing tax	<i>in City tax</i>	<i>in City tax</i>	\$70	<i>in City tax</i>	\$75	<i>in City tax</i>
CVRD taxes	\$294	\$296	\$784	\$296	\$621	\$296
School, hospital, others	\$672	\$672	\$672	\$672	\$672	\$672
Total assessment-based taxes	\$1,823	\$1,800	\$1,666	\$1,527	\$1,508	\$1,527
Garbage, water, sewer charges	\$452	\$463	\$460	\$444	\$463	\$444
Grand total after boundary expansion	\$2,275	\$2,263	\$2,126	\$1,971	\$1,971	\$1,971
Change due to boundary expansion		Falls \$12		Falls \$155		\$0

In constant 2006 dollars; based on a home assessed at \$200,000 (taxes vary with assessed value)



2010 Taxes in 2006 dollars; based on a home assessed at \$200,000 (taxes vary with assessed value)

Phase-in of tax changes

Tax changes could be phased in gradually over time. The province could enshrine this into the City's supplementary letters patent. The phase-in period could be any number but five or ten years is more common.

The next figure show the total tax bills on homes assuming these two phase-in periods. It assumes there would be three different tax areas during the phase-in – one for the existing City, another for Area D, and a third for Area E. **Note:** All would end up at the same place by the end of the phase-in period (except that expansion area homes would still not pay the sewer parcel tax after boundary expansion).

Figure 47: Two Phase-In Plans for Tax Changes

	Home in Duncan		Home in Area D		Home in Area E	
	Without restructure	With restructure	Without restructure	With restructure	Without restructure	With restructure
5-Year phase-in						
Rise per year =	\$28.20	\$5.60	\$35.60	\$39.00	\$31.00	\$65.40
2006	\$2,134	\$2,134	\$1,948	\$1,948	\$1,816	\$1,816
2007	\$2,162	\$2,140	\$1,984	\$1,987	\$1,847	\$1,881
2008	\$2,190	\$2,146	\$2,020	\$2,026	\$1,878	\$1,946
2009	\$2,218	\$2,152	\$2,056	\$2,065	\$1,909	\$2,011
2010	\$2,246	\$2,158	\$2,092	\$2,104	\$1,940	\$2,076
2011	\$2,275	\$2,162	\$2,126	\$2,143	\$1,971	\$2,143
2012 + on	\$2,275	\$2,162	\$2,126	\$2,143	\$1,971	\$2,143

	Home in Duncan		Home in Area D		Home in Area E	
	Without restructure	With restructure	Without restructure	With restructure	Without restructure	With restructure
10-Year phase-in						
Rise per year =	\$14.10	\$2.80	\$17.80	\$19.50	\$15.50	\$32.70
2006	\$2,134	\$2,134	\$1,948	\$1,948	\$1,816	\$1,816
2007	\$2,148	\$2,137	\$1,966	\$1,968	\$1,832	\$1,849
2008	\$2,162	\$2,140	\$1,984	\$1,988	\$1,848	\$1,882
2009	\$2,176	\$2,143	\$2,002	\$2,008	\$1,864	\$1,915
2010	\$2,190	\$2,146	\$2,020	\$2,028	\$1,880	\$1,948
2011	\$2,204	\$2,149	\$2,038	\$2,048	\$1,896	\$1,981
2012	\$2,218	\$2,152	\$2,056	\$2,068	\$1,912	\$2,014
2013	\$2,232	\$2,155	\$2,074	\$2,088	\$1,928	\$2,047
2014	\$2,246	\$2,158	\$2,092	\$2,108	\$1,944	\$2,080
2015	\$2,260	\$2,161	\$2,110	\$2,128	\$1,960	\$2,113
2016	\$2,275	\$2,162	\$2,126	\$2,143	\$1,971	\$2,143
2017 + on	\$2,275	\$2,162	\$2,126	\$2,143	\$1,971	\$2,143

All figures stated in constant 2006 dollars

Note: Assumes no steps are taken to reduce the tax burden (steps are available)

Keep different garbage collection levels

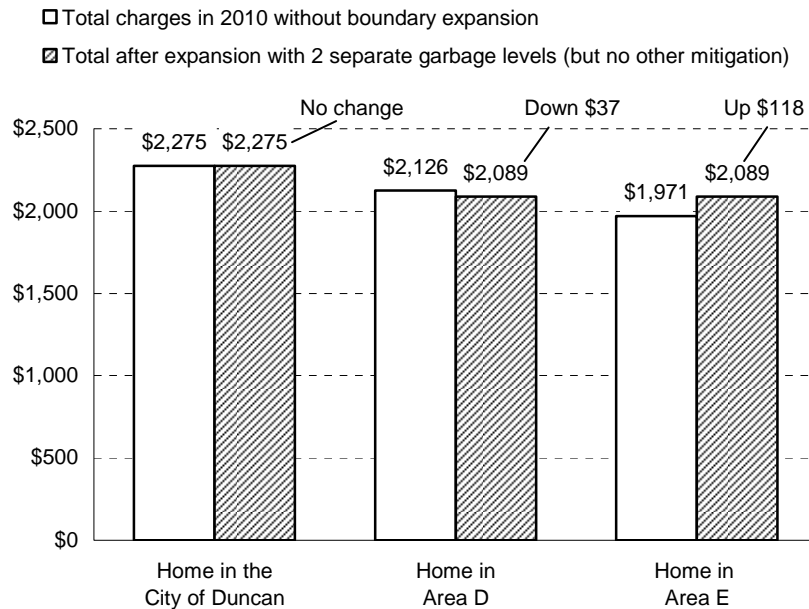
Currently, City homes get weekly garbage collection (and recycling collection every two weeks), whereas expansion area homes have garbage collection every two weeks. In 2006, a City home pays \$148 per year for this, and homes outside the City pay about \$83 – a gap of \$65. The original analysis assumed all homes would pay the same and all would receive weekly service. However, it would be possible to keep the two current levels in place after boundary expansion. This would have no meaningful impact on a home in the City but it would save \$65 for an expansion area home (though with a lower level of service compared to a City home). By 2010 the savings would be \$54 (using the City's projections in its Financial Plan).

Figure 48: Impacts If Eagle Heights Keeps Its Current Garbage Collection Schedule

	Home in the City of Duncan	Home in Area D	Home in Area E
Tax change in the original analysis (2010) (note: this is before any mitigation steps)	-\$113	\$17	\$172
Less: savings due to keeping the current collection schedules in place after restructure (using 2010 rates)	--	-\$54	-\$54
Total tax impact with 2 garbage areas	-\$113	-\$37	\$118
Total impact due to restructure by 2010	Falls \$113	Falls \$37	Rises \$118

Note: The immediate savings would be about \$65; the \$54 would apply by 2010

Figure 49: Summary of Tax Impacts With Two Separate Garbage Collection Levels



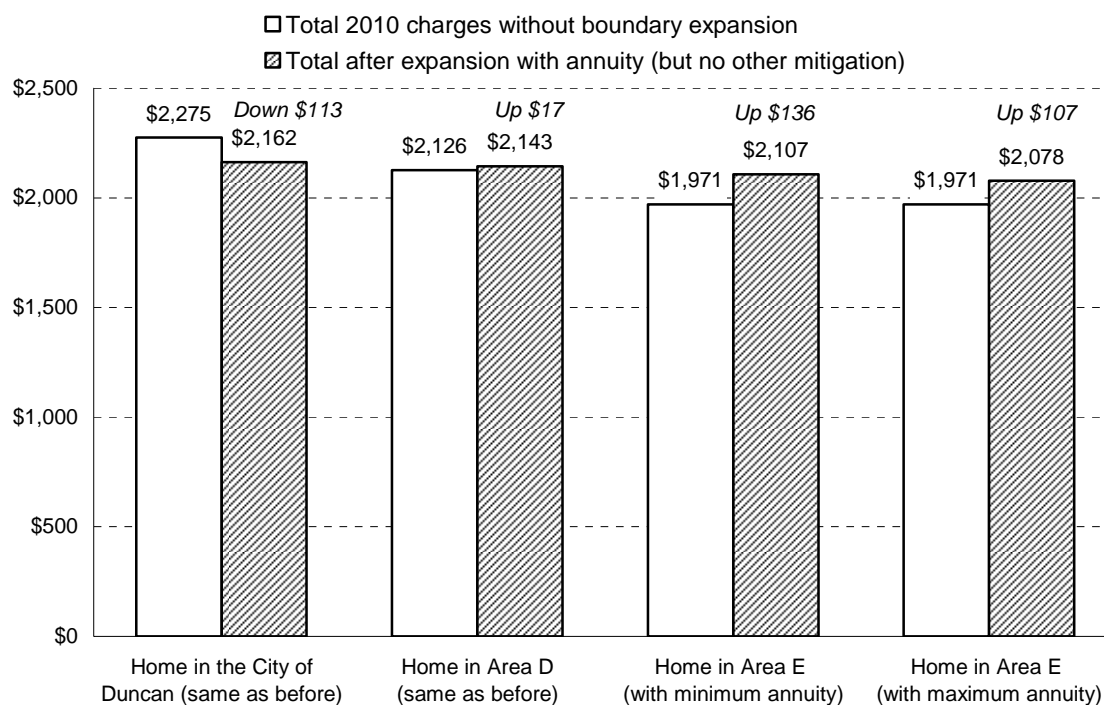
Annuity from start-up grants

It was mentioned near the beginning of Chapter 4 that the short term assistance from the province would exceed the costs of immediate improvements to expansion area roads. The total assistance package has not been prepared yet by the province, but the expected value of the assistance could be about \$662,000. Using \$133,000 for immediate road works would leave \$529,000 for some other uses. This could rise beyond \$1 million if the province offers more than the basic level of assistance. For purposes here we'll use a lower limit of \$529,000 and an upper limit of \$942,000.

One possible use of the funding would be for amenities and service improvements in the expansion area alone (for example, sidewalks). Another would be to buy an annuity and use this revenue stream to reduce the tax impacts on expansion area homes alone. This would direct the benefit of the grants just to these taxpayers; City taxpayers would see no benefit from the grants.

Using an interest rate of 4.5% and a 20-year term, the annual annuity revenue could be \$41-\$72,000 per year, depending on the original assistance level. *If this were applied to taxes in the Area E portion of the City, it would lower a home's taxes by \$36-\$65.* This would not entirely offset the tax rise but it would certainly help. The figure below shows the effects of this. Note that this policy assumes all the annuity revenue goes to reduce only Area E taxes and not City or Area D taxes, since they do not need the help nearly as much (though this could be arranged without changing the Area E numbers much).

Figure 50: Impacts If Annuity Is Used to Lower Taxes in Area E Part of the City



Lower business tax rates

The tax analysis presented in the earlier chapter assumes that the City's current tax rate multiple for business (3.54 times the residential rate) would be used for all businesses after boundary expansion. However, this does not have to be the case. City Council sets the multiples, and it

could choose a lower multiple could be used, including one just for expansion area properties. This would shift taxes away from expansion area businesses and onto homes and businesses in the City.

If the expansion area multiple (but only the expansion area multiple, not the City-wide multiple) were to be restricted to, say, 3.00 times the residential rate, the business tax rate in the City would rise slightly and the expansion area rate would fall.

- City business rate: Compared to the original impacts, the tax rate *rises* by \$0.305 per 1000, or by \$61 on a 200,000 business property.
- Expansion area rate: Compared to the original impacts, the tax rate *falls* by \$1.716 per 1000, or by \$343 on a \$200,000 property.

Overall, the lower multiple for expansion area businesses would produce the following tax impacts on a \$200,000 business property due to boundary expansion.

- In the City, boundary expansion would mean a tax savings of \$377 (down from the original savings of \$438).
- In Area D, boundary expansion would mean a tax rise of \$259 (down from the unmitigated, original jump of \$602). This includes the \$100 City business licence.
- In Area E, boundary expansion would mean a tax rise of \$659 (down from the unmitigated, original jump of \$1002). This includes the \$100 City business licence.

However, this shift away from business taxes would mean a \$17 rise in residential taxes – that is, boundary expansion with the lower business tax rate would add another \$17 to the impacts identified earlier for a \$200,000 home in each area.

Reduced boundary (leave out the southern area)

All the tax projections so far have assumed the expansion area is the whole study area, including the southern part that includes farms, the airport, and the gravel operation. There are several reasons to consider leaving out the southern area.

- Farm homes would face worse tax impacts than regular homes (due mainly to the mandatory loss of their rural tax exemption).
- Much of the southern area is ALR and is thus not a good candidate for inclusion in a municipality due to constraints on development.
- Almost all the southern properties do not use City water and aren't on a sewer system, so they rely less on City-type services than Eagle Heights homes.
- There is a notable change in community form, from urban to rural patterns, when you cross Glenora Road.

If the City boundary expansion were to stop at Glenora Road, the City budget would be affected in various minor ways as well as several more notable ones, including these.

- The tax base would be smaller than assumed, since fewer properties would be involved.
- There would be 2 km less road length to maintain and repair, as Langtry Road and Blyth Road would remain outside the City.
- The City would not be responsible for the community park at Langtry and Blyth.

A separate analysis indicates that, on balance, reducing the boundary to exclude the southern area would lower the tax base slightly less than lowering costs, and this means slightly better tax impacts – but only by a very minor amount. In other words, leaving out the southern area would have almost no effect on taxes (though of course it would leave farms under the electoral area system).

Figure 51: Tax Changes on a Home Depending on the Expansion Area Boundary

Location of home	Tax change with whole study area	Tax change if southern area is left out	Difference due to boundary reduction
Home in Duncan	Down by \$113	Down by \$114	\$1 Better
Home in Area D	Up by \$17	Up by \$16	\$1 Better
Home in Area E	Up by \$172	Up by \$171	\$1 Better

7. Summary and Conclusions

Summary of observations

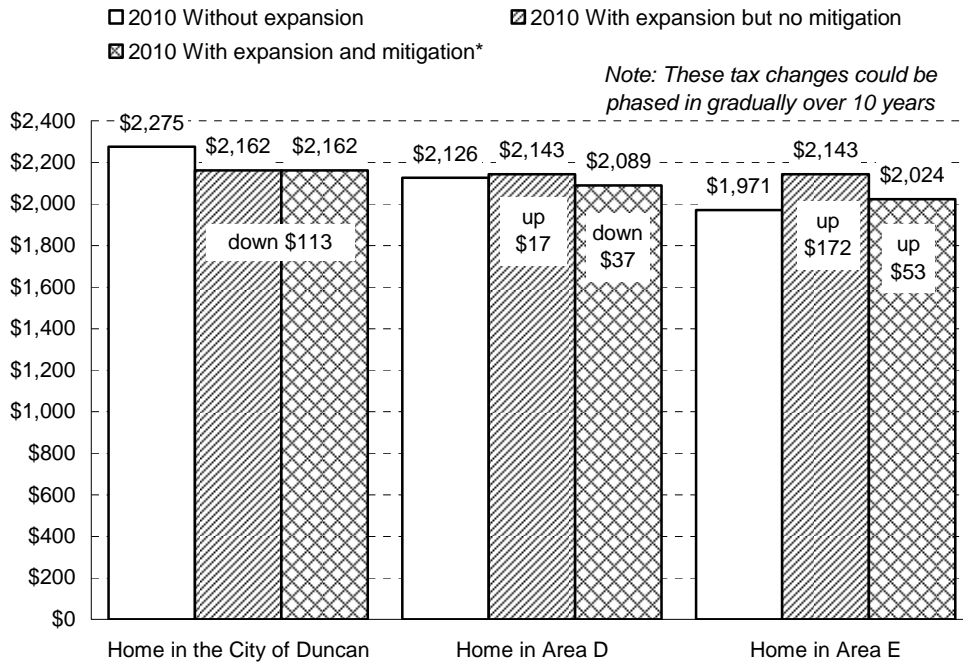
1. Reasons that expansion area properties may want to join the City include these.
 - It would make them full and equal members in the array of local service and amenities.
 - More of the decisions about their taxes and services would be made by officials they elect directly rather than by more remote officials elected by others.
 - They could avoid a pool usage surcharge.
 - They could get enhanced local services including, potentially, more frequent garbage collection as well as sidewalks and street lights.
 - They could save slightly on water and sewer charges.
 - There would be “one stop shopping” for answers about civic matters, rather than having to go to the City (water), the regional district (various services), and the province (roads and tax collection).
2. These advantages have to be weighed against the overall package of financial impacts and regulatory changes.
3. The expansion area represents a 20% rise in the City’s population and a 40% rise in its tax base. While there is some uncertainty about whether the 2006 Census will reveal more than 5000 people in the City (and thus trigger policing responsibilities), there can be no doubt that expanding the boundary to include the expansion area would do so.
4. There is a more direct link between costs and taxes in the City than in the expansion area. This is because City properties, and only City properties, fund almost all of the City’s own services, whereas in the expansion area some services are funded across a far bigger area, and costs and taxes are pooled across many taxpayers. This is particularly true for land use planning, building inspection, and animal control; it is less true for community parks; and it does not apply to very localized services like Eagle Heights sewer.
5. Taxes in the City are currently higher than in the expansion area. In 2006, an average home in the City pays \$186 more than an Area D home and \$318 more than a home in Area E, after factoring in garbage, water, and sewer charges. This is due to a broader array of services and higher service standards in the City. For example, a City home pays \$33 for the pool (the expansion area pays no taxes for this); a City home pays \$349 for roads (versus under \$140 in the expansion area); and a City home pays \$95 for community parks (an Eagle Heights home pays \$57). The current tax gaps would not apply after boundary restructure.
6. There is inconsistent funding of local services. Homes in the City pay for the pool (as do homes in North Cowichan) but expansion area homes do not. The City and Area E contribute to the arena but Area D does not. Each area funds its own community parks separately. Despite the funding gaps, all residents have access to these facilities and amenities.
7. The province’s program to assist municipalities in restructuring would mean a *minimum* of \$145,500 in short term grants to the City. A more likely value is \$500,000 (and it could even exceed \$1 million). This is more than enough to finance the immediately needed repairs and improvements to expansion area roads, and in fact could provide funding for sidewalks, street lights, and other service improvements in the expansion area.
8. The large reserves of the Area E parks function (\$400,000) could be protected, at least in part but also in full, for the benefit of the Area E taxpayers.
9. It would be possible to assure the expansion area of a seat or seats on City council. An “area representation” system (a form of ward system) could be created to do this. Only expansion area voters would be eligible to vote for this councillor (or councillors). This could help allay the fears that expansion area residents would have no effective say on council decisions. There

are various options for this. One would be to have one reserved seat on council for the expansion area and all the rest elected “at large” (that is, all voters elect them). Another system could see one seat for the expansion area alone, two or three for the current City area alone, and the remainder elected at large.

10. The City’s garbage collection rates would not be affected much by restructure. The basic analysis assumes that the full weekly service is provided to the expansion area and that they pay the full City fee for this. Currently, the expansion area gets collection every two weeks and pays less than in the City. A City home would see *no change* in fees as a result of restructure; an expansion area home would pay \$54-\$65 *more* (but get more frequent service).
11. It would be possible to maintain the two different garbage collection schedules and two different fees even after boundary extension. This would reduce the burden on expansion area taxpayers.
12. Boundary restructure would mean standardization of water charges. Currently, expansion area homes pay more for water than do City homes. After restructure, they could both pay the same. A City home would pay \$6 *more* than without restructure; an expansion area home would pay \$35 *less*.
13. Sewer user fees would change, but the parcel tax could still be limited to City properties only; expansion area homes need not pay it. With a standardized user fee for both areas combined, restructure would mean an \$5 *rise* for a City home and a \$38 *fall* for an expansion area home.
14. The very large sewer reserve fund in the Eagle Heights (\$800,000) could be protected for the benefit of only Eagle Heights. The province could ensure this.
15. Adding the expansion area to the City would add costs to the budget, particularly for roads. It would also add to the tax base, and this rise would outstrip the rise in costs. The net result is that the City tax rate after restructure would be lower than the tax rate without restructure.
16. Even after factoring in the recently announced provincial policing tax for small communities, and allowing for a real rise (that is, over and above inflation) in CVRD taxes for land use planning, animal control, community parks, and several other local services, expansion area homes could see a tax rise due to joining the City. By 2010 it would be a modest rise for Area D homes (\$17) but a more substantial \$172 for Area E homes; city taxes would be lower by \$113 (all these 2010 amounts are stated in constant 2006 dollars). These rises are not inevitable, as mitigation steps are available.
17. Every \$100,000 added to or subtracted from the projected City budget has a \$9 impact on a home in the City and a \$23 impact on a home in the expansion area. For example, if the projected City spending is low by \$100,000, the tax gain due to restructure would slump by \$9 for a City home, and the tax rise on an Area E home would grow by \$23. The impacts are different because an extra \$100,000 would affect the City with or without restructure, but would only affect the Area E home if restructure occurs.
18. If it turns out that the City doesn’t have 5000 residents, and thus its policing cost isn’t triggered, restructuring by itself would mean less of a benefit to City homes. This is because the City’s “before” taxes would be lower than assumed but the “after” taxes would stay the same.
19. It would be possible to phase in the tax changes over time – say, over five or ten years. The taxes on an expansion area could start out at the current level and change gradually.
20. Several mitigation steps could be combined to reduce or eliminate the tax rise for expansion area homes. The existing split schedule for garbage collection could be maintained, which would save an expansion area home \$54 by 2010. In addition, surplus start-up funding from the province could be used to reduce their taxes. For example, an annuity could be obtained and all the revenue from it could be used to reduce just expansion area taxes. Depending on the amount of start-up assistance, these two steps alone could reduce the tax rise on an Area E home to \$36-\$65, and this could be phased in over ten years. The garbage collection policy

alone would mean that by 2010 an Area D home would see a tax *decrease* of \$36 compared to staying under the electoral area system.

Figure 52: Property Charges on a \$200,000 Home (with and without mitigation)



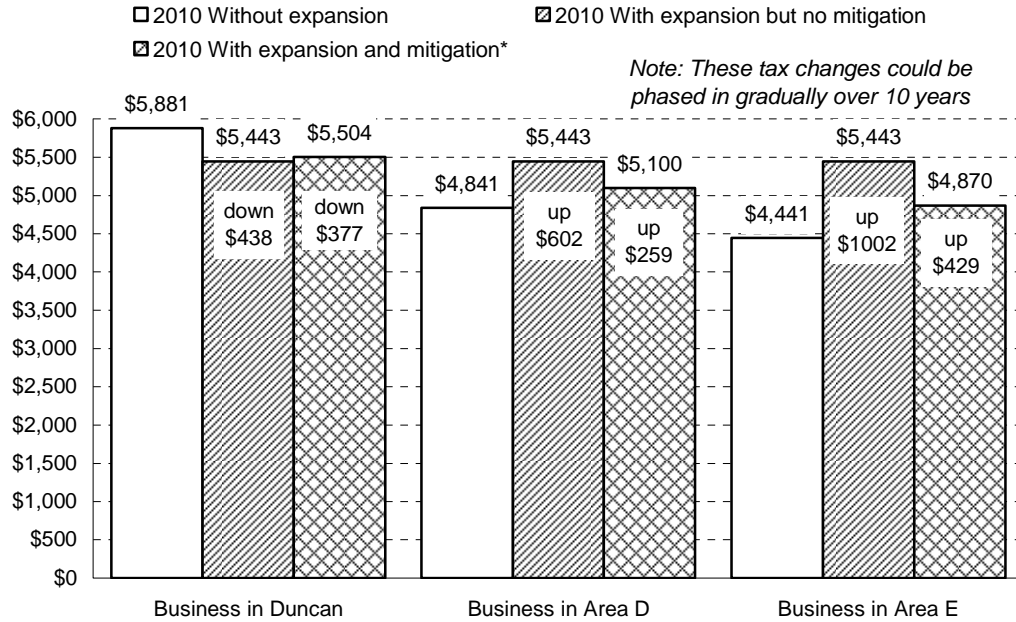
* Two mitigation steps: Keep rural garbage collection schedule plus maximum annuity
Includes assessment-based taxes and charges for garbage, water and sewer

21. The same tax mitigation policies that would benefit expansion area homes would also benefit expansion area businesses and industries. In addition, the City tax rate multiple for business and industry could be lowered for expansion area properties, which would lower their tax burden (though it would shift a bit more on to homes). This is shown on the next page.

Approval by taxpayers

Expansion area taxpayers would have a say in the decision about expansion based on an approval process to be defined by the Minister of Community Services. City residents could also have a say.

Figure 53: Property Charges on a \$200,000 Store (with and without mitigation)



Includes City business licence (\$100) * Two mitigation steps: Lower tax rate multiple (3.0) in the expansion area plus maximum annuity

- 22. The impacts on light industry properties follow the same pattern as for businesses above.
- 23. There are farms and farm homes south of Glenora Road, and a significant amount of ALR lands. The tax impacts on farm homes would be worse than for a regular home. In addition, most of the farms supply their own water and have their own sewer system. For these reasons, consideration should be given to leaving the area south of Glenora Road out of the restructure. There are no meaningful tax impacts of leaving it out.

Negotiations with the province

Assumptions have been made here about transitional steps and short-term assistance from the province. These need to be discussed and clarified with the province before residents are asked to approve or disapprove of boundary expansion. These discussions have already started but at the time of writing have not been completed. Additional information from the province will be factored into our work as it is received.

- 24. The region-wide functions of the regional district would not be affected by boundary restructure. However, it would affect certain local services and functions. After allowing for a reduction in spending because there would be fewer people to serve, the CVRD could still be short \$87,000 in taxes. This translates into \$5 on home in the remaining part of Area D home and \$28 for a home in the remaining part of Area E.

Figure 54: Estimated Loss of Revenues for Local CVRD Services Due to Restructure

	CVRD's Lost tax revenues	Estimated costs savings	CVRD's net tax loss	Extra tax rate for remaining taxpayers~		Extra tax on a home in ...	
				in Area D	in Area E	Area D~	Area E~
Animal control*	\$1,343	\$485	\$858	\$0.0002	\$0.0002	\$0.04	\$0.04
Building inspection*	\$6,802	\$2,493	\$4,309	\$0.0009	\$0.0009	\$0.18	\$0.18
Community parks - Area D**	\$5,538	\$1,000	\$4,538	\$0.0141	--	\$2.83	--
Community parks - Area E^	\$48,778	\$17,000	\$31,778	--	\$0.1203	--	\$24.05
Electoral area services	\$6,152	--	\$6,152	\$0.0013	\$0.0013	\$0.26	\$0.26
E.A. feasibility study	\$173	--	\$173	\$0.0000	\$0.0000	\$0.01	\$0.01
Grants in aid - Area D	\$670	--	\$670	\$0.0021	--	\$0.42	--
Grants in aid - Area E	\$1,733	--	\$1,733	--	\$0.0066	--	\$1.31
Community planning*	\$56,260	\$19,759	\$36,501	\$0.0081	\$0.0081	\$1.62	\$1.62
Critical street light - Area E^^	\$1,219	\$500	\$719	--	\$0.0027	--	\$0.54
Totals	\$128,669	\$41,237	\$87,432	\$0.0268	\$0.1401	\$5.35	\$28.02

~ Includes 5.25% provincial tax collection fee

* Cost savings based on 50% of per capita rate for whole service area ^ Cost savings estimate from CVRD staff

** Flat cost savings allowance for the one park in study portion ^^ Cost savings based on 5 lights in study area

Note: It could take the CVRD several years to achieve the cost savings

25. The province could ensure that the City contributes funding for these services, either for a transition period or even permanently, in order to mitigate the CVRD's tax loss.

Choices and policies to be considered

Numerous assumptions about financial policies have been made in the preparation of this report. Here are some of the policy options that should be considered. In the end, decisions about some would rest with City council; decisions about others would rest with the province; and some would rest with the CVRD. The study committee should consider these questions when it develops its recommendations and suggestions.

1. Seat on City council: Should the expansion area be given an assured seat on City council? If so, how long should it apply for? What form should it take? Should there also be reserved seats for existing City residents?
2. Protection of expansion area reserves: The large Eagle Heights sewer reserve should clearly be protected for the sole benefit of Eagle Heights properties, but what about the \$400,000 community park reserve for Area E? Should a pro rata share be transferred to the City and protected for the benefit of only Eagle Heights?
3. Shared CVRD recreation functions: Should the City be required to continue making the existing expansion area contributions to Kerry Park, Glenora recreation, Bright Angel Park, and South End parks? Would the CVRD want this, bearing in mind that the City would become a participating, voting member of these functions if it contributes funding?
4. CVRD local services: Should the City contribute funds to relieve the CVRD of unavoidable tax rises for its remaining members? This is a normal practice. If used in the case at hand, how long should the contributions last?
5. Boundary: Should the expansion area be limited to the northern section (that is, north of Glenora Road), or should the farm land, airport, and gravel site also be included?
6. Tax limit: Should Area E's "without expansion" tax levels be maintained after restructure? This would limit the City's benefit (though there would still be a tax saving for a City home). If implemented, how long should this last?

7. Tax phase in: Should tax changes for expansion area properties be phased in or start all at once? If phased in, over what term? Should Area D and Area E properties start out at the same level if phasing is implemented, or should Area D remain at its higher tax level until Area E taxes reach that level?
8. Should City taxes be held at the “without expansion” levels and the benefits passed on to Area D and E? If so, for what period?
9. Garbage collection: Should the City have just one service standard and fee for all residents (that is, weekly collection), or should the current two-tiered system be continued even after restructure?
10. Should the City use a lower tax rate multiple for expansion area businesses than it does for exiting City businesses? If so, for what period? A lower business tax rate multiple would shift the tax burden away from business and thus lessen the tax rise due to boundary expansion.
11. Short term assistance: What level of assistance would the province provide? Would it maintain the expansion area roads free for five years? What per capita grant level would it provide?
12. Short term assistance: Should the City be required to spend all, or a significant portion, of the short term assistance on improvements to expansion area infrastructure and/or amenities? Should all the surplus assistance be used to reduce taxes in the expansion area?

City policy decisions

The City needs to develop a set of policies regarding boundary expansion. This will assist residents to assess the strengths and weaknesses of boundary restructuring. An example of a policy choice is the ward system: Would the City permit one? If so, what is the City's preference for size and timing?

Some policy questions can be addressed by City Council now, even though we are still awaiting some information from the province on various restructure matters. However, other policy choices can be considered by City Council on the basis of information already available.

Appendix 1: Comments and Questions from the April 25, 2006 Public Meeting

Overview

A public information meeting was held in the evening of April 20, 2006 to present the study goals, explain the current system of local government, and hear questions and comments from residents. Just over 100 people attended the meeting. The residency of the 96 who signed in is as follows:

- 25% were from the City of Duncan
- 55% were from the electoral areas (most from Area E)
- 18% were from the District of North Cowichan
- 2% were from elsewhere.

The questions and responses presented here were compiled and edited by the consultant. Similar, related or repeated points have been grouped into one question rather than listed separately for each time they were raised. Some comments have been restated as questions in order to allow a consistent format. Most of the answers presented here were also given at the meeting, but several have been researched since the meeting and then presented here.

The questions and answers are grouped into four board categories:

- The study process
- A referendum
- Transition and boundary changes
- Services, finances, and land use

The study process

1. *Whose idea was the study in the first place?*
City Council initiated the work.
2. *Who chose the area to be studied, and why was it chosen at this time?*
The City chose the area to be looked at. The decision was made to do the study now because City Council wanted to know the results in a timely manner, and it had been many years since the issues was last looked at.
3. *Who appointed the Public Steering Committee?*
Duncan City council appointed the members of the Public Committee from a list of people who responded to the City's ad asking for volunteers.
4. *Isn't the objective of the study to make boundary expansion happen?*
No, the objective is to produce independent information for people to consider.
5. *Why aren't we doing a study like the 1977 one that looked at combining larger areas than the current study is looking at?*
A larger study could be considered at the conclusion of the current work. At this time, however, the focus is on a more modest municipal restructuring.
6. *Will regional values (like the regional growth strategy) be looked at?*
The study focuses on the direct impacts of an expanded City boundary and City services. Matters related to broader CVRD issues lie beyond the scope of work here.

7. *Would Langtry Road be in the municipal boundary?*
Possibly. It is included in the study area but that does mean it would be part of the expansion. A recommended boundary could exclude it.
8. *Shouldn't the Silver Park mobile home park, which lies in the North Cowichan municipality, be part of the study? It's right between the City and the proposed new area.*
The terms of reference focus on the City of Duncan, not the District of North Cowichan. Examining the status of this parcel could be looked at after the current study is done. The North Cowichan municipal council would have to be involved in this.

A referendum

9. *Shouldn't there be a referendum to decide if people approve of boundary expansion?*
The law says there must be a referendum of current City voters if 10% of them petition for a referendum. A referendum for electoral area voters is up to the Minister, though it should be noted that the province has a long history of holding such a vote when there is a significant population (say, over 500) in the electoral area portions of a proposed municipal boundary.
10. *How would a referendum work?*
The Minister would decide how a referendum would work. Options could include a single winner-takes-all count of ballots from all areas combined; separate ballots for the City and the electoral areas; and phased voting (say, the electoral areas vote first, with a City vote only if the electoral area vote passes). There could be other choices, too.
11. *Can we be assured that there will be a referendum?*
A decision to hold a referendum for electoral area voters is up to the Minister.
12. *Would the rest of Area D and E get to vote in a referendum? If not, they should.*
No, only voters in the directly-affected areas would get to vote.

Transition and boundary changes

13. *We would still be part of the Cowichan Valley Regional District (CVRD), so how can you say there would be fewer layers of local government?*
For the entire study area, there would be less reliance on the CVRD for local services like planning, building inspection, and community parks, and this tends to reduce the presence of this local government. However, the area would still be part of the broad-area functions of the CVRD, and the City would still be a member of the regional board.
14. *I'm in Area E but outside the proposed City boundary. What would happen to me?*
The study will identify the probable changes in CVRD taxes on the remaining areas due to boundary expansion.
15. *What portion of the whole Area E is in the study area? And what portion of Area D? The report should identify this.*
The study area includes about 24% of the total Area E population (920 out of 3900) and less than 2% of Area D's population (50 out of 2690 residents). In terms of the tax base, it includes 40% of Area E's total and 7% of Area D's total.
16. *What would happen to property taxes in the leftover parts of Areas D and E?*
The study will identify these impacts where possible. [See page 22]

17. *What is the provincial policy on mitigation for the remaining parts of the electoral areas to protect them from rises due to boundary expansion? Can't the Minister force the City to pay mitigation?*

That would be up to the Minister. We don't yet know the extent to which mitigation could be needed.

Services, finances, and land use

18. *Areas D and E would lose tax revenues from businesses that become part of the City. Won't this raise the taxes in the remaining parts?*

This is possible, though it should be noted that some CVRD costs would fall too, so a tax rise might not be inevitable. The study will identify the possible tax losses. [See page 22]

19. *What assurances are there that the City wouldn't raise the tax rate multiple for businesses in Areas D and E?*

Unless the province imposes tax constraints on the City, there is no assurance – just as there is no assurance that the multiples won't change under the electoral area system.

20. *What are the advantages of boundary expansion from the City's viewpoint?*

Candidates from the City's perspective include more consistent sharing of core City costs (like downtown roads); enhanced ability to have one voice speak for the whole community; and an expanded tax base. There could be disadvantages too, like more road and policing costs.

21. *Would the electoral areas get sidewalks and street lights like the rest of the City? If not, would we have to share in the cost of the City's lights and sidewalks?*

This would be up to the City Council. It would be possible to exempt the areas without these services from the costs if the services are not going to be extended in those areas.

22. *Isn't this just a tax grab by the City? I don't want to pay more taxes.*

At this early stage, it isn't at all clear that boundary expansion would lower the City's taxes. Remember that the extra tax base would also come with extra road and policing costs (to name just two services that would be funded by City taxes). [See Chapters 4 and 5]

23. *Will the study examine policing policies and costs?*

Yes, it will.

24. *Showing us the "before" tax picture is not enough. Will the study show the "before" and "after" taxes?*

Yes, both the "before expansion" and "after expansion" taxes will be identified.

25. *Wouldn't being part of the City mean the end of the farming community along Langtry Road? I don't want to lose that lifestyle.*

The provincial Right to Farm Act assures farmers that a local government like a municipality or a regional district can't prohibit accepted farming practices. Neither the City nor the CVRD can remove land from the Agricultural Land Reserve; that power rests with the Agricultural Land Commission, which is independent of local government. There are many instances of farming within a municipality.

26. *What would stop the City from changing the zoning to urban density?*

The City can't remove land from the ALR or prohibit farming, so the farming areas could continue. The City could rezone *non-farm* areas to more urban uses – just as the CVRD can do now, using essentially the same process.

Appendix 2: Projected City Utility Budgets and Charges

Garbage + recycling

	2006 Budget	2010 Budget*	Due to expansion	Total with expansion	Comments
<i>SF equivalents (revenues ÷ user fee)</i>	1,213	1,213	534	1,747	
Revenues:					
Collection fees	\$165,000	\$152,434	\$67,105	\$219,540	Increase in proportion to homes
Recycling - curbside	\$14,700	\$13,581	\$5,978	\$19,559	Increase in proportion to homes
	\$179,700	\$166,015	\$73,084	\$239,099	
Expenses:					
Residential collection	\$74,200	\$74,929	\$35,705	\$110,634	Increase in proportion to homes
Tipping fees	\$60,000	\$62,388	\$29,729	\$92,117	Increase in proportion to homes
Recycling	\$14,300	\$14,440	\$6,881	\$21,320	Increase in proportion to homes
Other costs	\$6,300	\$5,820	\$1,387	\$7,207	Raise at 50% of per-home rate
Surplus (subsidizes property taxes)	\$24,900	\$8,437	-\$617	\$7,820	No significant change
	\$179,700	\$166,015	\$73,084	\$239,099	
Annual user fees:					
Garbage user fee	\$136	\$126	\$126	\$126	
Recycling charge	\$12	\$11	\$11	\$11	
Total for garbage and recycling	\$148	\$137	\$137	\$137	

* In constant 2006 dollars

Excludes budget for comfort station

Water

	2006 Budget	2010 Budget*	Due to expansion	Total with expansion
Number of users (home equivalents)	2,822	2,822	524	3,346
Number of metered (home equiv)	445	445	199	644
Revenues:				
User fees - City homes	\$361,200	\$386,620	}	\$0
User fees - expansion area homes*	\$87,000	\$93,123		
Revenue from City metered users	\$57,000	\$61,012	}	\$0
Revenue from expansion metered	\$33,000	\$35,323		
Subtotal, City + expansion area	\$538,200	\$576,078	\$0	\$576,078
Revenue from other areas	\$487,000	\$521,273	\$0	\$521,273
Other revenues	\$21,000	\$19,401	\$0	\$19,401
	\$1,046,200	\$1,116,751	\$0	\$1,116,751
Expenditures:				
Total operating costs	\$872,850	\$866,710	0	\$866,710
Debt payments	\$26,800	\$24,759	0	\$24,759
Transfer to capital	\$146,550	\$225,282	0	\$225,282
Total spending	\$1,046,200	\$1,116,751	\$0	\$1,116,751
User fee per home				
City home	\$128	\$137	n.a.	\$143
Expansion area home	\$166	\$178	n.a.	\$143

* In constant 2006 dollars

Sewer

Sewer -- City	2006 Budget	2010 Budget*
Revenues		
Sewer user fees	\$494,000	\$534,325
Parcel taxes	\$42,000	\$38,802
Tsfr from user fee reserve	\$28,541	\$30,244
Other revenues	\$25,000	\$23,096
Prior years surplus	\$310,601	\$0
	\$900,142	\$626,466
Expenditures		
PW administration charge	\$26,000	\$26,000
General administration charge	\$94,000	\$94,000
Other administration	\$19,500	\$19,500
Transmission and distribution	\$146,000	\$146,000
Payment to Joint Utilities Board	\$188,784	\$188,784
Debt payments	\$35,800	\$35,800
Transfer to capital - from surplus	\$310,601	\$0
Transfer to capital - current	\$79,457	\$116,382
	\$900,142	\$626,466
Parcel tax		
Number of parcels	2,080	2,080
Parcel tax	\$20	\$19
User fee		
Number of users ("home equivalents")	3,361	3,361
User fee per home	\$147	\$159

City charges without expansion (the "before" picture for a City home)

Sewer -- Eagle Heights	2006 Budget	2010 Budget*
Revenues		
Sewer user fees (net)	\$118,800	\$138,577
Parcel taxes		\$23,096
Tsfr from reserve		\$23,096
Other revenues		
Prior years surplus	\$198,518	\$0
	\$317,318	\$161,673
Expenditures		
PW administration charge	\$9,976	
General administration charge	\$7,767	
Wages, benefits, travel	\$41,350	\$133,958
Misc and contingency	\$26,325	
Operations	\$41,900	
Lagoon user fee / Joint Util. Board	\$55,000	
Debt payments		
Transfer to reserves	\$60,000	
Transfer to capital	\$75,000	\$27,715
	\$317,318	\$161,673
Parcel tax		
	\$0	\$0
User fee:		
No. of users ("home equivalents")	687	687
User fee per home equivalent	\$173	\$202

Eagle Heights charges without expansion (the "before" picture for an Eagle Heights home)

* In constant 2006 dollars

Below is the “after expansion” sewer fund.

Sewer - Combined area	2006	2010	
	Budget	Budget*	Comments
Revenues:			
Sewer user fees (net)	\$622,800	\$663,911	As needed to balance the books
Parcel taxes	\$42,000	\$38,802	Assume this stays a tax on current City area properties only
Transfer from reserve	\$28,541	\$53,340	Sum of City and RD amounts
Other revenues	\$25,000	\$23,096	Sum of City and RD amounts
Prior years surplus	\$509,119	\$0	
	\$1,227,460	\$779,149	
Expenditures:			
City administration	\$149,500	\$137,343	From City FP, plus \$10,000 for extra admin (RD = \$8k)
RD administration	\$17,743	\$0	Included in "City administration" cost for 2010
Operations, lagoon, joint util. board	\$499,359	\$464,634	City and RD costs (but excludes \$8k of RD admin costs)
Debt payments (City only)	\$35,800	\$33,074	From City financial plan
Transfer to reserves	\$60,000	\$0	Sum of City and CVRD amounts
Transfer to capital	\$465,058	\$144,098	Sum of City and CVRD amounts
	\$1,227,460	\$779,149	
Parcel tax (City parcels only)	\$20	\$19	Assume no change -- only City parcels pay tax
User fee:			
No. of users ("home equivalents")	4,048	4,048	
User fee per home equivalent	\$154	\$164	

* in constant 2006 dollars

Appendix 3: Road Improvement Memo

The following pages present the Kerr Wood Leidal memo on short term road improvements in the expansion area.

Technical Memorandum

DATE: June 14, 2006

TO: Tom Reid, Sussex Consultants

FROM: Robert Warren, P.Eng,

RE: **DUNCAN RESTRUCTURE STUDY**
Overview of Roads in Electoral Areas D and E
Our File 285.021

This memorandum provides a summary of our review of the roads and sewers in electoral areas D and E, describes our assessment criteria, and presents benchmark level costs for the infrastructure that requires rehabilitation in the near term.

Background

Sussex Consultants is undertaking a study to evaluate the impacts of a municipal boundary expansion for the City of Duncan. The potential boundary expansion area includes land immediately south of the Cowichan River bounded by the Municipality of North Cowichan and First Nation lands. Kerr Wood Leidal Associates Ltd. (KWL) were retained by Sussex Consultants to undertake a planning level overview of the existing roads and sewers in the expansion area and to establish benchmark cost estimates for rehabilitation of damaged roads.

The overview by KWL included the following:

- Conversations with Mr. T. Kushner of the city works department in the City of Duncan. These discussions indicated that the existing CVRD sewer system is functioning well with no obvious deficiencies. This limited our work to the roadways,
- Preparation of an overview inventory of the existing roads including an assessment of their relative condition (i.e. good, fair, poor),
- Identification of those roads in possible need of rehabilitation and associated benchmark estimated cost of rehabilitation, and
- Preparation of a technical memorandum.

The inventory and assessment was conducted by area as defined for the study as follows:

- Northern Area Area included in the Eagle Heights Sewer Service Area;
- Southern Area Area South of the Glenora and Miller Road intersection.

The assessment was conducted as an overview planning exercise. A detailed engineering assessment was not undertaken at this time.

Assessment Criteria

Each road section was assessed and rated as good, fair, poor or a combination of categories (i.e. fair to poor). The assessment criteria are described as follows in Table 1.

Table 1 Assessment Criteria

Assessment Criteria	Description
(GC,NM) Good Condition Normal Maintenance	Road in generally good physical condition, good geometric standards, no width concerns and require normal maintenance.
(F) Fair	Road condition fair, minor pavement deterioration or geometry/width concerns.
(P) Poor	Road condition poor, greater scale of pavement deterioration and/or geometry and width concerns.
Notes: 1. Roads with a combination rating (i.e. fair to poor) indicates that the majority of the road is fair with the balance being poor. The approximate amount of poor road (in km) was recorded.	

Assessment Results and Priorities

Table 2 provides a summary of each area, the overall assessment and the priority roads (rated as poor) that require rehabilitation in the near term. The length of road is based on odometer readings. Although some minor cracks were observed in many roads this deficiency has not been included as the repair is considered to be routine maintenance. Reflective cracking occurs when the roadbase fails and shows up as ‘alligator’ cracking on the road surface. The city of Duncan stated that the majority of these problems would be fixed with a sealcoat and that a rebuild would not be required. The exception is Polkey Road which requires an excavation of the road down to the subgrade and a reconstruction of sections of the roadway.

Table 2 Summary of Overview Assessment by Area

Area	Summary
1. Northern Area	<p>Assessment Some reflective cracking, requiring attention, is present on most of the roads in this area. The total length of roadway damaged is 3.15 km.</p> <p>Priority Areas Chaster Road is the busiest road in this area with reflective cracking. Polkey Road was identified by the City of Duncan as a road needing full repair in several areas.</p>
2. Southern Area	<p>Assessment This area includes Langtree and Blyth Roads.</p> <p>Priority Areas Blyth Road has 200 m in need of sealing.</p>

Appendix 1 shows the full extent of the Road Survey.

Road Rehabilitation Costs

Mr Trevor Kushner of the City of Duncan indicated that the city's repair standards for rural roads specify a seal coat for cracked roads rather than a full road excavation and rebuild. Cost estimates based on this type of repair were done for all roads assessed as poor. The only exception was Polkey Road which will require excavation and a rebuild in certain sections. None of the roads reviewed appeared to have substandard geometry.

A cost estimate per kilometer of road was developed based on sealcoating the existing surface. For Polkey Road it was assumed that half of the roadway for the entire damaged section would be removed and rebuilt.

The Class D level benchmark estimated costs for each category include a 30 percent allowance for engineering and contingencies. For seal coating a cost of \$ 3.30 / m² was used. For Polkey Road a cost of \$114,700 / km was used. This figure was derived by assuming an average rebuild width of 3.0 m for all the damaged areas.

Table 3 provides a summary of the estimated rehabilitation costs for each area.

Area	Residential Length (km)	Capital Cost/km	Capital Cost
1. Northern Area (excluding Polkey Road)	2.65	\$26,400	\$69,960
2. Northern Area (Polkey Rd)	0.5	\$114,700	\$57,350
3. Southern Area	0.2	\$26,400	\$5,280
Total, all areas			\$132,590

Closing

We trust that this provides you with the necessary information for the road rehabilitation cost estimate component of the restructure study.

KERR WOOD LEIDAL ASSOCIATES LTD.

Prepared by:



Robert Warren, P.Eng.
Project Engineer

Reviewed by:



Dave Murray, P.Eng.
Review Engineer

Encl.
RGW/rw

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Appendix 1: Road Survey

Appendix 1 - Road Survey

Roads in Need of Repair

Name	Surface type	Km needing repair	Comments	Repair
Allenby Road	Asphalt	0.60	(Kolsilah intersection repaved) Potholes and cracking and reflective cracking	Seal coating
Chaster Road	Asphalt	0.35	50% cracking and potholes / 50% GC,NM	Seal coating
Francis Street	Asphalt	0.15	Cracking and reflective cracking, some narrow parts on south end near highway	Seal coating
Koksilah Frontage Rd	Asphalt	0.10	Cracking and reflective cracking, one way street	Seal coating
Eleanor Road	Gravel/asphalt	0.05	Gravel to north of Christopher with road going around large tree, Asphalt to south (GC,NM)	Seal coating
Polkey Road	Asphalt	0.50	30% of road resurfaced, reflective cracking	Road rebuild
Hykawy Road	Asphalt	0.20	Hill has cracking and reflective cracking (first 50% of road), lower section is new	Seal coating
Blyth Road	Asphalt	0.20	Some reflective cracking at the end of road	Seal coating
Mountain View Cr.	Asphalt	0.40	Steep area on bend, cracking	Seal coating
Dogwood Road	Asphalt	0.10	South new road (GC,NM), North is narrow and need repair, cracking and relative cracking	Seal coating
Phillips Road	Asphalt	0.20	Cul de sac has new asphalt	Seal coating
Corfield Road	Gravel/asphalt	0.30	Asphalt for the first 0.1 k	Seal coating
Mission Road	Asphalt	0.15	Cracking and potholes	Seal coating